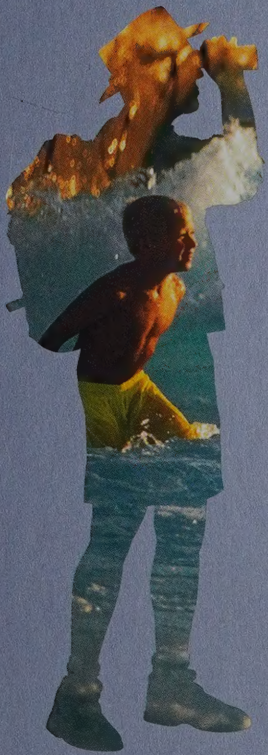


Natural Fit

INTRAWEST
ANNUAL REPORT 2004

Corporate Profile

Intrawest Corporation is the world's leading operator and developer of village-centered resorts. It is redefining the resort world with its 10 mountain resorts, one warm-weather resort, 36 golf courses under management, a premier vacation-ownership business – Club Intrawest, and five world-class resort villages at other locations, including one in France. In addition, Intrawest has a significant investment in Alpine Helicopters, owner of the largest heli-skiing operation in the world, and in Abercrombie & Kent, the leading luxury adventure-travel company. Intrawest has expertise in all aspects of resort living including lodging, food and beverage, themed retail, animated operations and real estate development. Its 21,900 employees are uniquely positioned to service the company's eight million skier visits and more than 800,000 golf rounds, providing the best possible resort experience again and again. Intrawest Corporation's shares are listed on the New York (IDR) and Toronto (ITW) stock exchanges. The company is headquartered in Vancouver, British Columbia.

Contents

Natural Fit

The greatest of life's experiences occur with the convergence of a variety of elements – people, places, activities, ambiance – creating lasting memories. The connections formed during these moments go beyond simply adventures shared or acquaintances made; they go deeper, touching something within us that makes us feel alive. These deep connections – with others, with nature, and with ourselves – drive both the guest experience and the economic engine of Intrawest.

At Intrawest, our guests have the freedom to create their own experiences. At the same time, we strive to know our guests and anticipate their ever-evolving needs. With this knowledge and commitment we do everything we can to embrace an environment conducive to the creation of memories. After all, this is our mission.

In the pages that follow you will read about the broad range of activities in which Intrawest is involved and about the course we are charting for the years ahead. Our story, like our company and the experiences we strive to deliver, is multifaceted. It's one of guest experiences, of growth, of innovation and of financial success.

The experiences we offer our guests and the performance we deliver as a company are the result of vision, discipline and a convergence of elements. In every case, when the pieces come together, it's a natural fit.

Five-Year Historical Review

YEARS ENDED JUNE 30 (IN MILLIONS OF UNITED STATES DOLLARS, EXCEPT PER SHARE AMOUNTS)	2004	2003	2002	2001	2000
CONSOLIDATED OPERATIONS					
RESORT OPERATIONS					
Revenue	**541.3**	499.9	430.6	440.8	400.4
Expenses	**436.2**	387.5	331.8	339.3	314.4
Resort operations contribution	**105.1**	112.4	98.8	101.5	86.0
MANAGEMENT SERVICES					
Revenue	**124.4**	88.2	59.1	52.3	47.6
Expenses	**96.9**	77.2	49.0	44.9	39.5
Management services contribution	**27.5**	11.0	10.1	7.4	8.1
REAL ESTATE DEVELOPMENT					
Revenue	**878.2**	512.7	487.8	415.3	341.4
Expenses	**788.5**	444.4	404.3	339.4	282.2
	89.7	68.3	83.5	75.9	59.2
Income from equity accounted investments	**1.7**	—	—	—	—
Real estate development contribution	**91.4**	68.3	83.5	75.9	59.2
Income before undernoted items	**224.0**	191.7	192.4	184.8	153.3
Interest and other income	**6.1**	2.4	8.1	10.8	18.0
Interest expense	**(45.8)**	(47.1)	(43.1)	(44.5)	(35.2)
General, administrative and other	**(43.7)**	(32.4)	(33.4)	(29.7)	(32.6)
Depreciation and amortization	**(68.6)**	(67.5)	(65.4)	(57.9)	(51.4)
Call premium and unamortized costs of senior notes redeemed	**(12.1)**	—	—	—	—
Write-down of technology assets	**—**	(12.3)	—	—	—
Income from continuing operations	**59.9**	34.8	58.6	63.5	52.1
INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE					
Basic	**1.26**	0.73	1.33	1.45	1.20
Diluted	**1.25**	0.73	1.31	1.43	1.18
WEIGHTED AVERAGE NUMBER OF SHARES (IN THOUSANDS)					
Basic	**47,588**	47,364	44,206	43,665	43,362
Diluted	**47,798**	47,590	44,695	44,504	44,252
Total Company EBITDA*	**268.3**	209.2	211.2	200.3	165.4
CONSOLIDATED BALANCE SHEETS					
ASSETS					
Resort operations	**940.9**	918.7	841.8	813.7	784.7
Properties – resort	**780.7**	1,067.3	861.5	700.6	569.3
– discontinued operations	**—**	—	6.3	7.1	9.6
Other	**534.2**	529.7	457.3	434.9	353.8
Total assets	**2,255.8**	2,515.7	2,166.9	1,956.3	1,717.4
LIABILITIES AND SHAREHOLDERS' EQUITY					
Bank and other indebtedness	**958.8**	1,260.9	1,055.9	1,010.0	833.2
Other liabilities	**509.7**	543.7	433.7	377.9	372.9
Shareholders' equity	**787.3**	711.1	677.3	568.4	511.3
Total liabilities and shareholders' equity	**2,255.8**	2,515.7	2,166.9	1,956.3	1,717.4

*EBITDA = Net income before interest, income taxes, non-controlling interest, depreciation and amortization.

Statements contained in this annual report that are not historical facts are forward-looking statements that involve risks and uncertainties. Intrawest's actual results could differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, Intrawest's ability to implement its business strategies, seasonality, weather conditions, competition, general economic conditions, currency fluctuations and other risks detailed in the company's filings with the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission.

All dollar amounts in this report are in U.S. currency unless otherwise noted.

To Our Shareholders

As I reflect on 2004, it is clear to me that it was one of the most satisfying and pivotal years in this company's 28-year history. We saw the culmination of several years of significant effort, and the completion of a strong foundation from which we can drive our business to new levels.

Today we have both the organizational and the financial structure needed to pursue our objective of capitalizing on our management expertise, systems and sizeable customer base. We have taken steps that will enable us to operate and grow the company more on the basis of selling our management expertise and business systems than through the use of our capital. We will operate along these lines into the future.

We are very pleased with our overall financial results in 2004. Total revenue and Total Company EBITDA (earnings before interest, income taxes, non-controlling interest, depreciation and amortization) of $1.6 billion and $268 million, respectively, were both records for us, by a wide margin. Earnings per share increased to $1.25 from $0.73 last year. These results, and the reorganization of our real estate business with the Leisura partnerships, enabled us to generate $293 million in free cash flow, also a record, which we used to pay down debt (free cash flow is cash flow from continuing operating activities less cash for resort capital expenditures). At the end of 2003 we had net debt of $1.1 billion, which we significantly reduced to $849 million in 2004. With earnings momentum and a more conservative balance sheet, Intrawest has never been in a stronger position than today.

Many significant achievements mark our progress to this point: in the late 1970s we established our reputation as an innovative and successful real estate development company; in 1986 we acquired Blackcomb Mountain, our first resort; in 1990 we took the company public; and in 1994 we sold our urban real estate portfolio and became a purely leisure-based company intent on building a network of resorts.

In the 1990s our mission was clear: We set out to build on our operational and village-development achievements at Blackcomb and Tremblant and to transfer that expertise to other North American locations. In doing so, we would create a network of resorts. By the end of the decade, this goal was essentially complete – about five years sooner than I initially expected.

In the first three years of the current decade, we set out to take advantage of our network of resorts and our growing customer base by linking them in an intelligent and systematic manner. We will strive for continuous improvement in this area, but the framework required to pursue this objective is now in place and operating well. This includes common accounting and information platforms, powerful reservation and contact-center capabilities, as well as an understanding of who our customers are and how we communicate with them and market to them. Of greatest importance, however, was the organization of our most valuable asset – our human resources.

Intrawest's people are entrepreneurial and hard-charging individuals, each with strong ideas as to how to move forward. In 2004 we succeeded in both harnessing and directing this energy. We made a momentous change by creating, from among our many operating entities, two distinct groups – the Leisure and Travel Group, led by Dan Jarvis and Hugh Smythe, and our Real Estate Development Group, recently branded "Intrawest Placemaking," led by Gary Raymond. Reports providing detail on the objectives and activities of these groups follow this message.

Prior to reorganizing, we were many different divisions with many different leaders. Having now brought our leadership together under two entities, we are significantly better equipped to take advantage of scale from both a cost and marketing perspective, thus paving the way to growth.

Another challenge we tackled during the past three years was to strengthen our balance sheet. In the prior decade we invested a substantial amount of money in expanding our network of resorts and then improving the resorts' amenities. We built ski lifts and golf courses and started the process of building villages at each of our resorts. With respect to the operational assets the bulk of the investments are now behind us. The story is quite different with respect to our real estate development activities.

In the pre-construction phases of the real estate development process, we spend money on the planning and design of buildings. We then put a marketing plan together and sell our product prior to construction, thereby mitigating the risk of unsold inventory. This has proven to be a great formula because we commit financial resources only after we have a sale. However, the dilemma we created was that the more we sold, the more we built. On the one hand this was tremendous news and very profitable. On the other hand it was a big user of our working capital. So we asked ourselves, how do we grow our real estate business while at the same time make it a cash generator, not a cash user?

We answered this question with the creation of the Leisura partnerships in conjunction with two large North American financial institutions. These partnerships now provide the capital required to fund our larger real estate development projects, thus allowing us to conserve cash and strengthen our balance sheet, while still growing.

The bottom line is that with the Leisura partnerships in place and with the "heavy financial lifting" at our resorts virtually complete, we have accomplished a dramatic shift from a capital-based model to an expertise- or management-based one.

Our recent investment in Abercrombie & Kent is an example of our revised operating model. Over the past 40 years, Geoffrey and Jorie Kent have built Abercrombie & Kent into the number-one luxury adventure-travel company in the world, operating in more than 70 countries. It was clear to them and to us that linking their product with our customer base and distribution system would deliver immediate benefits to both companies. This relationship is not about Intrawest's capital but rather our capabilities.

As we assess our capabilities and strengths we see opportunities to create shareholder value. Within our Leisure and Travel Group, our resort network has great potential as we make the transition to common management, systems and marketing. We expect that as we further diversify our income sources and emerge as the clear leader in the destination-resort/specialty-travel field, we will see a significant repositioning of Intrawest within the capital markets.

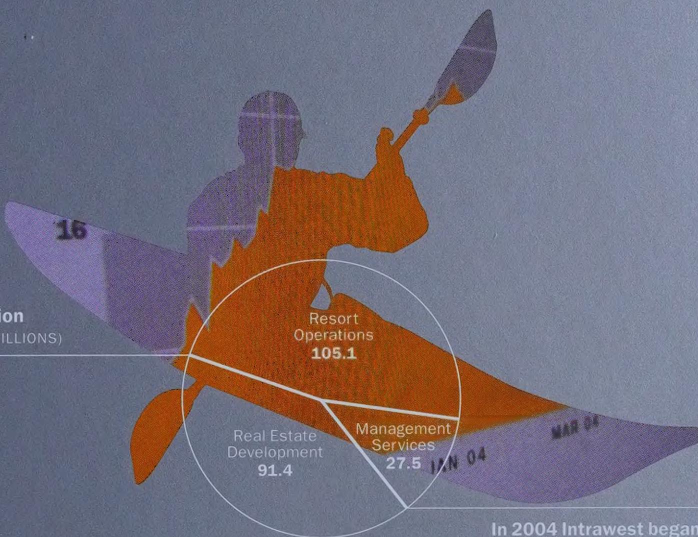
Intrawest Placemaking also holds tremendous potential. Our decision in 1994 to focus solely on the resort segment is proving prophetic. We have been able to capitalize on the business opportunity we identified at that time. Demand for resort real estate has increased steadily as the Baby Boomers seek sanctuary in resorts. Demand has also increased as the condominium hotel has become accepted by the major hotel brands, and resort property ownership has risen even higher on the wants-and-needs list of our clientele. Couple this with our move into warm-weather resorts and the completion of villages at Sandestin Golf and Beach Resort in Florida and MonteLago Village, Lake Las Vegas and we are just hitting our stride. Based on the performance of these villages, our branded systems are gaining considerable strength within the industry and this is providing a steady stream of development opportunities. We are sifting through these opportunities to find sites that provide both the economics and deal structure necessary to keep our capital investment to a minimum and profit at a maximum.

We have clearly established the leading resort development franchise in the industry with formidable barriers to entry. We are seeing more competition, but our competitors cannot match our 10-year head start in intellectual capital creation. Additionally, the market has many years of increasing growth ahead with the demographic wave bringing more people into their peak spending years.

We all experience events in life that we describe as defining moments – graduation, marriage, a new job, or the birth of a child. In the life of our company, 2004 will be remembered as just such a time of redefinition. I am immensely proud of the contributions that our people – at all levels – have made to our achievements of the past year. We have worked hard to create alignment within the company, creating opportunity for our people and delivering the very best leisure experiences for our customers. These efforts will create the platform from which Intrawest will move upward and this will translate into shareholder value.

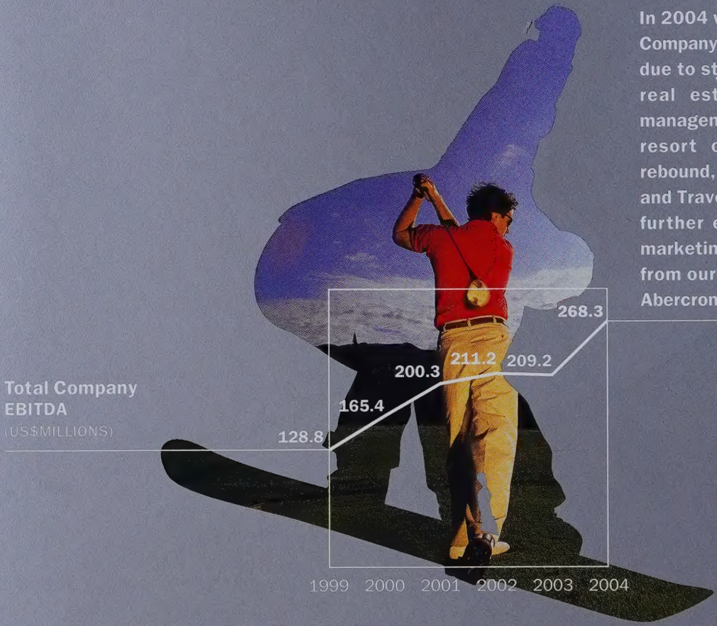
Joe S. Houssian
Chairman, President and Chief Executive Officer

2004 Contribution Segments (US$MILLIONS)



In 2004 Intrawest began reporting separately the results of three distinct business segments: resort operations, management services and real estate development. This segmentation was initiated to identify the contribution made by our management services. This segment's relative contribution will grow rapidly as a result of our shift from a capital-intensive business model to an expertise-intensive one.

In 2004 we achieved record Total Company EBITDA of $268.3 million due to strong performances from real estate development and management services. We expect resort operation's EBITDA to rebound, supported by the Leisure and Travel Group's initiatives and further enhanced by the cross-marketing opportunities resulting from our strategic investment in Abercrombie & Kent.



Leisure and Travel Group

The formation of the Leisure and Travel Group has positioned Intrawest to become the clear leader in the destination-resort and specialty-travel industry. Having already built a unique network of village-centered mountain resorts, Intrawest has now demonstrated – with the success of Sandestin in Florida and MonteLago Village at Lake Las Vegas – the broad applicability of the village-centered concept to warm-weather locations. We also have a growing portfolio of golf course management contracts, a large resort lodging business, a high-end vacation ownership company and now, with the addition of Abercrombie & Kent (A&K), a network that includes the strongest brand in the luxury adventure-travel business. No one has a greater range of, or more expertise in, creating and delivering active, authentic, and above all, fun travel and leisure experiences.

Our Opportunity

We offer our guests an escape from their busy and sometimes stressful lives by providing enriching experiences that connect them to their friends, their families and themselves. In a single year we have millions of engagements with our customers and our opportunity in the role of guide changes with each experience. We have guides for the most challenging experiences – such as CMH Heliskiing – and the most exotic experiences – such as A&K safaris. We also have guides who can change a life forever by, for example, providing a teenager's first day of snowboarding instruction. This is a unique position that we intend to build on by creating more ways in which we can help our guests get the most from their experiences; we intend to become the most trusted guide in the world of play.

The experiences we offer fall within the destination-resort industry, which includes both mountain and warm-weather resorts, and the specialty-travel industry, which comprises both adventure and active travel. These industries are large and growing but also highly fragmented. Most participants have weak sales distribution channels, limited offerings and lack the scale to be truly competitive. Unification of our operating businesses under the Leisure and Travel Group has given us a business platform that is competitively superior in our industry. We have the ability to offer innovative products and compelling loyalty programs with the support of superior distribution channels and technology. To lead this new group, we have assembled a remarkably talented team of executives from across our businesses.

The key elements of our strategy are set out below:

INCREASE THE BREADTH AND DIVERSITY OF OUR ASSETS AND BUSINESSES

The Intrawest of the future will have a broader range of businesses in order to diversify our sources of income and distribute it more evenly through the year. In addition, a greater diversity of experiences will give us more opportunities to interact with our customers throughout the year, and then to migrate them through our experiences as their interests change. These new businesses will fall squarely within the destination-resort/specialty-travel world where our competitive strengths lie, and they will share the characteristics that we describe in the following section. Where these businesses are capital intensive, we will bring in financial partners.

LEVERAGE THE COMMON CHARACTERISTICS AMONG OUR EXPERIENCES

The experiences we offer share a number of characteristics: They are active, authentic and engaging, whether physically, mentally or socially. The experiences are shaped by both the guests and Intrawest as well as by the experience level of the participants and the social interaction that occurs. The commonality among these experiences forms a platform that can be leveraged by marketing across our customer base, and it forms the basis for a distinctive customer positioning.

CAPTURE, MIGRATE, RETAIN

The types of experiences we offer provide the potential for exceptional lifetime value. Because our offerings are dynamic and have elements such as social interaction and learning, there is the potential for repeated engagement. We are also able to extend the duration of the relationships we have with our guests by first capturing them in one experience and then migrating them to many more. This is an economic equation that offers great rewards as we generate more first-time guests, retain them with exceptional delivery, and then successfully facilitate their migration from experience to experience.

Many of our customers already demonstrate a strong loyalty to many Intrawest businesses due to the strong passions and social/family traditions associated with them. With a broader range of experiences for the customer, the opportunity to build long-term relationships increases significantly. These connections are reinforced in a number of ways, particularly by real estate ownership and Club Intrawest membership. The new business platform gives us a significantly enhanced capability to extend the length and value of these customer relationships.

The new rallying cry and engine of growth for the Leisure and Travel Group is Capture, Migrate, Retain.

ACHIEVE OPERATIONAL EXCELLENCE AS A TOTAL BUSINESS

The expectations of our guests and the competitive world we serve demand that we constantly improve. To meet this challenge we have assembled teams across the company to drive the reengineering process and achieve operational excellence. Our goal is to deliver products to our customers with greater ease and speed, thus improving convenience and adding value. This means identifying which process is the best and establishing this discipline across our businesses. Our new operating model also allows us to reduce the overall cost structure and manage costs relative to revenues. Finally, it is designed to be scalable and quickly transferable to new resorts and businesses.

EXECUTE WITH DISCIPLINE

Successful companies formulate a clear strategic direction and execute in a disciplined manner. Over the past 10 years, Intrawest formulated and executed a village-centered strategy in a number of geographically diverse locations. To achieve this we attracted and developed operational experts who continually challenge our service delivery and demand discipline in how we execute. As we broaden our strategy, we will continue to place a high priority on combining entrepreneurial attitudes and enthusiasm with a focus on disciplined execution.

DEVELOP OUR PEOPLE

Our employees don't simply present our offerings – they live them. When interacting with our staff, whether in the course of skiing, golfing, making a reservation through an Intrawest contact center or simply exploring a resort, our guests discover that Intrawest employees have found an outlet for their passions in the role of guide; it's a natural fit and they are truly engaged. Among them are world-class athletes, experts in snow science and the environment – leaders in their fields. They know first-hand that unique memories are created when a guest skis their first black diamond run, breaks 90 on the golf course for the first time, or experiences a destination they had previously only dreamed about. We encourage our people to find opportunities to enhance the guest experience, to develop their careers and to participate in shaping their company.

PARTNER WITH PLACEMAKING

Our real estate development business, Intrawest Placemaking, is closely linked to the Leisure and Travel Group's new strategy. The most important link is the emphasis on building customer loyalty. Generally, our most loyal customers are our best prospects for real estate purchases and our real estate owners are some of the Leisure and Travel Group's best customers. Furthermore, we intend to use the new structure to offer real estate owners a broader set of privileges across our resorts and businesses. In addition, one of the biggest opportunities we share with Intrawest Placemaking is the expansion of our lodging management business.

DRIVE GROWTH IN EARNINGS

The enormous amount of creative energy that has been unleashed through the formation of the Leisure and Travel Group is bringing our talented people together and generating new and exciting opportunities. There will be a number of visible changes in the 2005 fiscal year, particularly with regard to new marketing initiatives. There will also be transactions designed to increase our management income and reinforce the new strategic direction. We are well on our way to establishing our new business model and with it will come sustained growth in earnings for our shareholders and new opportunities for our employees and our guests.

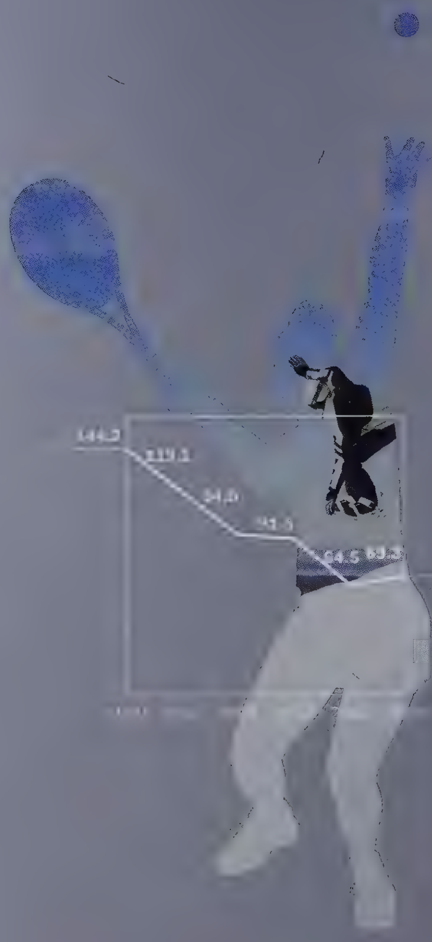
Daniel O. Jarvis
President and CEO, Leisure and Travel Group

Hugh R. Smythe
President and COO, Leisure and Travel Group

Revenues generated by Intrawest's resort operations have grown steadily over time. A focus on operational excellence within the Leisure and Travel Group will enable us to offer our guests a better, more consistent product. This, coupled with centralized, cross-resort, cross-business sales and marketing initiatives, will drive future revenue growth.

Leisure and Travel Group Revenue

Lower
Resort Capital
Requirements



The early stages of village-centered resort development are capital intensive. Facilities must be built or upgraded and residential and commercial real estate must be built to provide the overnight beds and amenities that bring a resort to life. Today, our resort network is well established and highly competitive and the days of heavy capital requirements are behind us.

Intrawest Placemaking

This past year marked the completion of our reorganization, the integration of Leisura and the rebranding of the Resort Development Group as Intrawest Placemaking. Our team is pleased that amid all this change we were able to exceed our targeted profit contribution for the year.

These changes were part of the necessary retooling of our business model. This new model allows our demonstrated resort-development expertise to be optimized under a more expertise-driven rather than capital-driven model. This enables us to reduce debt and risk while still providing the resort-village beds and attractions that will fuel growth in our Leisure and Travel Group. Fortunately we have developed a reputation for success in resort development that allows us to structure deals with little invested capital while still capturing fee income and significant profit.

Our long-term opportunity has grown as our fundamentals have strengthened. This opportunity is maximized by our key differentiators discussed below and the demographic winds that continue to build behind our backs.

Additionally, our two emerging business units, Playground and Storied Places, are maturing and establishing brand positions of their own. As a result we expect significant financial returns in the near future.

Our Unique Expertise

Our unique expertise in resort development encompasses a number of distinct abilities that separate us from the many traditional developers now trying to follow in our footsteps:

- We have unique expertise in the development of resort villages, which includes master-planning, construction and operating expertise, as well as our commercial expertise embedded in "The Village People," our commercial real estate business. The complexity of resort-village development, with its multiple moving parts, creates high barriers to entry.
- Our experience with condominium hotels enables us to create resort hotels in a financing environment that might otherwise prevent their development. Our condominium hotels are financed by selling individual units to resort loyalists who use them and take advantage of Intrawest's lodging-management capabilities. This method allows us to attract major hotel brands to our resorts, which gives greater comfort to unit buyers and increases occupancy in the resort, helping our operating business to prosper. We are adding more than 1,000 condominium-hotel units per year, many of which are added to our lodging business.
- Our ability to sell real estate prior to construction removes substantial risk from the business. This expertise is contained in Playground, our sales and marketing company. Playground has averaged 79 per cent sold at launch over the past three years, and 93 per cent last year alone. "Launch" is Playground's term for an event where we convert a prospect's interest from a reservation agreement to a binding contract requiring a 20 per cent deposit. Playground sells all Placemaking product as well as resales and new product for other resort developers.
- Our partnership methodologies are the newest additions to our clear differentiators in the business. The Leisura partnerships, which take on the production phase of our development projects, allow us to sell entire projects prior to construction, reducing risk and the need to accumulate construction debt. Beyond Leisura, the creation of land partnerships drastically reduces our need for capital and further reduces risk. We have completed two land partnerships in the past year for our Kaanapali, Hawaii and Orlando, Florida projects, giving us close to 1,700 developable units.

Our Mission With the introduction this year of Intrawest Placemaking, we redefined our mission: "We create places where amazing experiences happen." Our vision is to be master placemakers. Our new symbol is a freehand circle and an arrow, part of the visual language that planners and architects use to indicate direction and to draw the viewer's attention to places on a plan, a drawing, a map or a globe or, in our case, even a destination halfway around the globe.

Placemaking's mission resonates strongly with our customers whose two prime desires today are more time and more recreation. These desires mean that it is not sufficient to simply provide a place for recreation: there must also be a notional guarantee of great experiences and lasting memories. Our market of potential resort homeowners won't risk their valuable time on "maybe" experiences. Therefore, creating places where amazing experiences happen is a natural fit with this stated market opportunity and the unique expertise we have developed.

Playground and Storied Places Intrawest Placemaking also includes two emerging business entities: Playground, mentioned above, and Storied Places, our entry into the private residence club business.

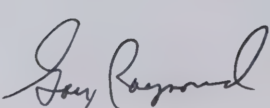
Playground achieved more than $1 billion in sales last year for Intrawest and third-party clients. Intrawest's Resort to Resort whole-ownership exchange network and lodging- and golf-management capability, coupled with Playground's pre-sale history and database of resort real estate buyers, make Playground the go-to company in its field.

Beyond Playground's sales success this past year, its joint venture with Wells Fargo to provide mortgages for its clients is already making a contribution. Playground is now operating in five countries and on two continents and has recently signed five new third-party deals, totaling more than $1 billion in potential sales over the next few years. Playground will grow to almost 450 people in the year ahead.

Storied Places, our fractional ownership concept, opened its first location in Whistler this year and has achieved a 93 per cent customer satisfaction rating in its first season. Owners' feedback has validated the concept and we are proceeding on new Storied Places' locations at Sandestin, Lake Las Vegas, Mammoth and Tremblant. Much of the company's operational success has come through the introduction of "Storied Places On-Call," an on-line or by-phone concierge service that provides owners with information related to their vacation and other Intrawest-marketed products. Storied Places is achieving margins in excess of those achieved by our traditional real estate products and is accelerating the absorption of our zoned-land portfolio.

In Conclusion

We have the people, the structure, the market and the business model to perform at the highest level for our shareholders. We will continue to do more with less capital, while providing profits and resort-village beds for our operating partners. Our hard-won status, which puts us among the best resort teams in the world, continues to attract more opportunities than we could hope to absorb. We are moving into 2005 with the utmost confidence that we can contribute continued growth for our Leisure and Travel Group, Intrawest as a whole and our shareholders.



Gary L. Raymond
President and CEO, Intrawest Placemaking


North Americans
aged 55-64
45.8
34.3

Net debt reduction of $285 million in 2004 moved us to the low end of the leverage scale for leisure and travel companies. Our conservative balance sheet provides more financial flexibility as we explore new business opportunities. We are focused on maintaining a conservative debt ratio as we grow our businesses.

Playgrounds

What sets Intrawest apart and propels this company forward is the very fact that we create places where amazing experiences happen: unique, memorable, ultimately body-and-soul satisfying experiences. Places where extraordinary things happen to individuals from sun up to sun down. Places for families to grow together instead of drift apart. Places that are easy to come back to and hard to leave. Places that speak to the child in us all.

With the encroachment of work into every corner of our waking lives, never before has the notion of play been of greater value. You'll find our resorts by great mountains, crystalline beaches, championship golf courses, pristine lakes, and unforgettable attractions throughout America and now in Europe.

These are the Great Playgrounds of the Western World.

INTRAWEST'S WORLD

a Intrawest Resorts
(operations and village developments)
b Intrawest Village Developments
c Club Intrawest
d Playground Projects
e Intrawest Golf
f RezRez
g Storied Places

OTHER LOCATIONS

Les Arcs, France b d
Kauai, Hawaii c
Hawaii, Hawaii d e
Cabo San Lucas, Mexico e
Riviera Maya, Mexico d
Zihuatanejo, Mexico c
Providenciales, Turks & Caicos d

NOTE: LOCATIONS AND MAP NOT TO SCALE

93

Percentage of real estate units sold in 2004 by Playground prior to construction.

1,000

Condominium-hotel units added to Intrawest resorts annually.

70

Number of countries in which Abercrombie & Kent operates.

41

Percentage increase in management services revenue over 2003.

A QUICK LOOK

- Lifts – 188 (60 high-speed)
- Acres of terrain – 19,136 (7,747 hectares)
- Restaurant seats – 30,600
- Lodging units owned or managed – 7,000
- Skier visits – 8.0 million
- Golf rounds played on Intrawest-managed courses – approx. 800,000
- Golf courses owned, managed or under development – 36
- Units for future development – 19,800
- Share of North American skier visits – 11%

INTRAWEST RESORTS

BLUE MOUNTAIN
www.bluemountain.ca
COMPETITIVE POSITION:
- Ontario's most popular mountain resort
- Located 90 minutes from Toronto (pop. five million)
- Golf course ranked among Canada's top 10

WINTER SEASON:
- December through March
- Skier visits: 611,000

COPPER MOUNTAIN
www.coppercolorado.com
COMPETITIVE POSITION:
- Draws visitors from Colorado's 500,000 Front Range skiers
- Locals' favorite in Summit County
- 75 miles (120 km) from Denver

WINTER SEASON:
- November through mid-April
- Skier visits: 928,000

MAMMOTH MOUNTAIN
www.mammothmountain.com
COMPETITIVE POSITION:
- 90% of visits come from California (pop. 35 million)
- "Best Pipe 2004" Award (*Transworld* Snowboarding magazine)
- 307 miles (494 km) from Los Angeles

WINTER SEASON:
- November through May
- Skier visits: 1,401,000

MOUNTAIN CREEK
www.mountaincreek.com
COMPETITIVE POSITION:
- 22 million people live within 90 minutes, including 1.3 million skiers and snowboarders
- Ranked #1 for accessibility (*SKI* magazine 2002, 2003)

WINTER SEASON:
- Mid-December through April
- Skier visits: 330,000

PANORAMA MOUNTAIN VILLAGE
www.panoramaresort.com
COMPETITIVE POSITION:
- Draws visitors from B.C. and Alberta (pop. seven million)
- "Best New Terrain" (*SKIING* magazine 2002)

WINTER SEASON:
- November through late April
- Skier visits: 230,000

SANDESTIN GOLF AND BEACH RESORT
www.sandestin.com
COMPETITIVE POSITION:
- Key markets include Atlanta, Birmingham, New Orleans, Dallas and Memphis
- Accessible via three airports – Fort Walton Beach, Panama City and Pensacola
- Recipient of *Successful Meetings* magazine's Pinnacle Award 2004 and *Meetings & Conventions* magazine's Gold Key Award 2003 and Gold Tee Award 2004
- Named to *Golf* Magazine's "75 Best Golf Resorts" 2004
- Annual golf rounds: 130,000

SNOWSHOE MOUNTAIN
www.snowshoemtn.com
COMPETITIVE POSITION:
- Draws visitors from Washington, D.C., North Carolina, Virginia, West Virginia and Ohio and has a broader market area of 75 million people
- #1 spring skiing party destination (*SKIING* magazine 2003)
- #1 winter resort in Southeast (*SKI* magazine 2003, 2004)
- #1 public golf Course in WV (*Golfweek* magazine 2002-2004)

WINTER SEASON:
- Mid-November through early April
- Skier visits: 439,000

STRATTON
www.stratton.com
COMPETITIVE POSITION:
- 20 million people live within a 50-mile radius
- Draws visitors from the metropolitan New York area, northern New Jersey and Long Island
- #1 terrain park in the East (*SKI* magazine 2002, 2003)

WINTER SEASON:
- Mid-November through April
- Skier visits: 368,000

TREMBLANT
www.tremblant.ca
COMPETITIVE POSITION:
- 75 miles (120 km) from Montreal (pop. 3.3 million)
- draws visitors from central and eastern Canada and the northeastern U.S.
- Consistently #1 resort in the East (*SKI* magazine)

WINTER SEASON:
- Mid-November through mid-April
- Skier visits: 730,000

WHISTLER BLACKCOMB
www.whistlerblackcomb.com
COMPETITIVE POSITION:
- 75 miles (120 km) from Vancouver
- draws visitors from Vancouver and Seattle (pop. five million)
- Established destination resort attracting visitors from around the world
- #1 resort in North America (*SKIING* magazine 2003)

WINTER SEASON:
- November through June
- Skier visits: 2,044,000

WINTER PARK
www.skiwinterpark.com
COMPETITIVE POSITION:
- Draws visitors from Colorado's 500,000 Front Range skiers
- #1 resort in North America for moguls (*SKIING* magazine 2002)
- 67 miles (108 km) from Denver

WINTER SEASON:
- Mid-November through mid-April
- Skier visits: 942,000

INTRAWEST RESORT VILLAGES

MONTELAGO VILLAGE
www.playlakelasvegas.com

THE VILLAGE AT LES ARCS
www.arc1950.com

SNOWMASS VILLAGE

THE VILLAGE AT SOLITUDE
www.villageatsolitude.com

THE VILLAGE AT SQUAW VALLEY USA
www.thevillageatsquaw.com

executive bios

JOE HOUSSIAN, CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER Born in Brandon, Manitoba, Joe Houssian founded Intrawest in 1976. Under his leadership, the company became a successful urban real estate company active in residential, commercial and industrial development in the Pacific Northwest and Western Canada. In 1986 Mr. Houssian led the company in its acquisition of Blackcomb Mountain, adjacent to Whistler Mountain, in British Columbia. This marked Intrawest's entry into the resort real estate business, which, with the divestiture of its urban real estate arm in 1994, became the company's sole focus. In 1990 Mr. Houssian took Intrawest public.

DANIEL JARVIS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, LEISURE AND TRAVEL GROUP Dan Jarvis served as Executive Vice President and Chief Financial Officer of Intrawest from 1989 to May 2004. He has been involved in all aspects of the company's business and, most recently, directed the company's move to a less capital-intensive business model, which accelerated dramatically in the past year with the formation of the Leisura partnerships. Prior to joining Intrawest, Mr. Jarvis held senior financial positions within the BCE group, including treasurer of BCE Inc. Mr. Jarvis holds a Master of Business Administration from Harvard University.

HUGH SMYTHE, PRESIDENT AND CHIEF OPERATING OFFICER, LEISURE AND TRAVEL GROUP Hugh Smythe has been involved in the ski industry for 38 years, starting his career as a ski patroller on Whistler Mountain. He was instrumental in the development of Blackcomb Mountain, of which he became the founding President. Since attracting Intrawest's attention to Blackcomb in 1986, which resulted in the acquisition and major expansion of the operation, he has led Intrawest's resort operations activities. Mr. Smythe was President of the Resort Operations Group until May 2004. His contribution to the ski industry has been recognized by numerous awards.

GARY RAYMOND, PRESIDENT AND CHIEF EXECUTIVE OFFICER, INTRAWEST PLACEMAKING Gary Raymond joined Blackcomb Mountain in 1984 as Vice President, Finance, prior to Intrawest's acquisition of the operation. Following the 1986 acquisition he assumed additional responsibility for Whistler real estate activities. In 1989 he assumed overall responsibility for Intrawest's real estate activities. Mr. Raymond was responsible for Intrawest's acquisitions program as the company built its current network of resorts and has participated in the negotiation of a variety of real estate acquisitions and partnerships in Canada, the United States and Europe.

JOHN CURRIE, CHIEF FINANCIAL OFFICER John Currie joined Intrawest in 1989 and prior to his appointment in May 2004 as Chief Financial Officer, was Senior Vice President, Financing and Taxation. Mr. Currie has played a key role in the evolution of Intrawest since its initial public offering in 1990. Prior to joining Intrawest, he held senior financial positions within the BCE group and as a specialist in international taxation with a major accounting firm. Mr. Currie is a chartered accountant and holds a Bachelor of Commerce degree from the University of British Columbia.

Financial Results

Today we have both the organizational and the financial structure needed to pursue our objective of capitalizing on our management expertise, systems and sizeable customer base. We have taken steps that will enable us to operate and grow the company more on the basis of selling our management expertise and business systems than through the use of our capital. Our 2004 financial results reflect progress in this direction.

(All dollar amounts are in United States currency, unless otherwise indicated)

The following management's discussion and analysis ("MD&A") should be read in conjunction with our audited consolidated financial statements for the year ended June 30, 2004 and accompanying notes included in this annual report. The discussion of our business may include forward-looking statements about our future operations, financial results and objectives. These statements are necessarily based on estimates and assumptions that are subject to risks and uncertainties. Our actual results could differ materially from those expressed or implied by such forward-looking information. Factors that could cause or contribute to differences include, but are not limited to, our ability to implement our business strategies, seasonality, weather conditions, competition, general economic conditions, currency fluctuations, world events and other risks detailed in our filings with Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission.

Our financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). A summary of the major differences between Canadian GAAP and U.S. GAAP is contained in Note 22 of our financial statements.

We use several non-GAAP measures to assess our financial performance, such as EBITDA and free cash flow. Such measures do not have a standardized meaning prescribed by GAAP and they may not be comparable to similarly titled measures presented by other companies. We have provided reconciliations between any non-GAAP measures mentioned in this MD&A and our GAAP financial statements.

Additional information relating to our company, including our annual information form, is filed on SEDAR at www.sedar.com. The date of this MD&A is September 2, 2004.

COMPANY OVERVIEW

Intrawest is the world's leading operator and developer of village-centered resorts. We have a network of 10 mountain resorts, geographically diversified across North America's major ski regions. Our resorts include Whistler Blackcomb (77% interest) and Panorama in British Columbia, Blue Mountain (50% interest) in Ontario, Tremblant in Quebec, Stratton in Vermont, Snowshoe in West Virginia, Copper and Winter Park in Colorado, Mammoth (59.5% interest) in California and Mountain Creek in New Jersey. We operate Winter Park under a long-term lease arrangement from the City and County of Denver and since the lease gives us control over the resort, Winter Park is treated in the same manner as any of our directly owned resorts from an operating and financial reporting perspective. Our resorts hosted 8.0 million skier visits in fiscal 2004, 11% of the North American market and more than any other owner in the mountain resort industry.

We own and operate one warm-weather resort, Sandestin Golf and Beach Resort, in Florida. Our assets include 18 golf courses and we also manage an additional 18 golf courses for other owners. We have interests in several other leisure-related businesses, including Alpine Helicopters (45% interest), the parent company of Canadian Mountain Holidays, and the Intrawest Retail Group (a chain of retail stores under the Breeze and Max names).

We derive revenue from three primary sources: resort operations, management services and real estate development. Resort operations comprise the on-mountain and base area activities at our resorts, our stand-alone golf courses and the operations of Alpine Helicopters and Intrawest Retail Group. Resort operations generated 35% of our total revenue in 2004, mainly from lift ticket sales, retail and rental shops, food and beverage services, ski school and golf. Management services comprise fees from assets we manage on behalf of third-party owners and from sales, development and supervisory services we provide to other entities. We changed the format of our statement of operations in 2004 to disclose management services as a separate segment, reflecting the growing importance of this source of revenue. Management services provided 8% of our total revenue in 2004. We develop real estate for sale at our resorts and at six third-party-owned resorts (five in the United States and one in France). We are the largest mountain resort real estate developer in North America, with approximately 19,800 units of future development under our control. Real estate development was our largest source of revenue in 2004 at 57% of total revenue.

We have organized our businesses into two divisions – the Intrawest Leisure and Travel Group, which includes all mountain and warm-weather resort operations as well as our vacation ownership business, Club Intrawest, and Intrawest Placemaking, our real estate development and sales business. We formed the Intrawest Leisure and Travel Group in May 2004 in order to better leverage our assets and employees and more effectively market and sell our products and services. This is a significant organizational change for Intrawest and we believe it positions us for greater profitability and future growth.

SUMMARY OF FISCAL 2004 OPERATIONS

We are very pleased with our overall results in 2004. We achieved a number of important objectives, including growth in earnings and total Company EBITDA and significant free cash flow generation and debt reduction. Income from continuing operations increased from $34.8 million ($0.73 per diluted share) in 2003 to $59.9 million ($1.25 per diluted share) in 2004. Unusual items impacted the results in each year – a $12.3-million write-down of technology assets in 2003 (mainly due to our decision to standardize business systems across resorts) and a $12.1-million cost to redeem $200 million of 9.75% senior notes in 2004 in order to refinance at lower rates. Excluding these unusual items, income per diluted share would have increased from $0.96 in 2003 to $1.48 in 2004.

Total Company EBITDA increased 28% from $209.2 million in 2003 to $268.3 million in 2004 due to record EBITDA from management services and real estate development. This was partially offset by a decline in EBITDA from resort operations due mainly to lack of revenue growth. With the formation of the Intrawest Leisure and Travel Group, we have initiated marketing and sales strategies that we believe will stimulate revenue growth starting in 2005.

Our real estate business became a significant generator of cash in 2004 after several years of being a net user of cash. This was due to some major project closings, the impact of the Leisura partnerships, which purchased the bulk of our production-phase real estate projects that commenced construction in 2004, and the current stage in the development cycle of our resorts. In total, our businesses produced $292.9 million of free cash flow in 2004, which we used to pay down debt. As a result net debt was reduced to $849.0 million at June 30, 2004.

FISCAL 2004 REVIEW OF RESORT OPERATIONS

Our resort operations are segregated into two reportable segments: mountain resort operations and warm-weather resort operations. The mountain resort operations comprise all the operations activities at our 10 mountain resorts as well as the operations of Alpine Helicopters and the Intrawest Retail Group. The warm-weather resort operations comprise all the operations activities at Sandestin as well as golf operations at our four stand-alone golf courses.

The key drivers of the mountain resort operations business are skier visits, revenue per visit and margins. Our strategy to increase skier visits has two main elements: improving the quality of the resort experience by upgrading and expanding the on-mountain facilities and building vibrant villages at the base to provide accommodation for destination guests. By expanding the amenities on the mountain and in the village, we are able to broaden the customer mix, extend the length of stay and capture a higher percentage of guest spending, all of which increases revenue per visit. Increasing the number of destination guests spreads visits more evenly during the week and during the season, which improves margins since a significant proportion of operating expenses at a resort are fixed. The key drivers of the warm-weather resort operations business are similar; i.e., golf rounds, revenue per round and margins.

The following table highlights the results of our resort operations business.

	2004	2003	CHANGE (%)
Skier visits[1]	7,150,000	7,302,000	(2)
Revenue (millions)	$ 541.3	$ 499.9	8
EBITDA (millions)	$ 105.1	$ 112.4	(6)
Margin (%)	19.4	22.5	

[1] Skier visits for all resorts are at 100% except Mammoth at 59.5% and Blue Mountain at 50%.

Revenue from resort operations was $541.3 million in 2004 compared with $499.9 million in 2003. Revenue from mountain resorts increased from $451.0 million to $488.2 million while revenue from warm-weather resorts increased from $48.9 million to $53.1 million.

MOUNTAIN RESORTS

We closed on the lease to operate Winter Park on December 23, 2002, hence mountain resort operations revenue includes 12 months of results for Winter Park in 2004 compared with six months in 2003. The longer period in 2004 increased mountain resort revenue by $9.4 million. On a same-resort basis (i.e., adjusting 2004 revenue for Winter Park to cover the same period as 2003), mountain resort revenue increased by $27.8 million in 2004 due to:

(MILLIONS)	
Impact of higher Canadian dollar on reported revenue	$ 26.4
Decrease in skier visits	(15.2)
Increase in revenue per skier visit	12.7
Increase in non-skier visit revenue	3.9
	$ 27.8

The reported amount of mountain resort revenue increased by $26.4 million in 2004 because of the increase in the value of the Canadian dollar against the U.S. dollar. In 2004 revenue from our Canadian resorts was translated for financial statement reporting purposes at an average rate of Cdn.$1.34 to U.S.$1.00 compared with an average rate of Cdn.$1.51 to U.S.$1.00 in 2003.

Our mountain resorts experienced a difficult year in 2004, with challenging weather conditions and changing guest travel patterns. Warm weather in the East in November and December produced a slow start at our eastern resorts and extreme cold temperatures in this region in January impacted visit volumes further. In the West, Colorado experienced a lack of snow at the start of the season followed by warm conditions in the spring. Compounding the negative effects of the weather, our Canadian resorts saw a decline in visitors from the U.S., driven by both the rise in the Canadian dollar and the recent trend of Americans to "stay at home." As a consequence of these factors, skier visits (on a same-resort basis) decreased 4% in 2004 to 7,007,000. On a regional basis, skier visits declined 7% at our eastern resorts and 3% at our western resorts. We estimate that the decrease in skier visits reduced mountain resort revenue by $15.2 million in 2004.

Same-resort revenue per skier visit increased 4% from $51.35 in 2003 (after adjusting for the impact of the improvement in the Canadian dollar exchange rate) to $53.19 in 2004. Revenue per skier visit is a function of ticket prices and ticket yields, and revenue from non-ticket sources such as retail and rental stores, ski school, and food and beverage services. Ticket yields reflect the mix of ticket types (e.g., adult, child, season pass and group), the proportion of day versus destination visitors (destination visitors tend to be less price sensitive), and the amount of discounting of full-price tickets in regional markets. Revenue per visit from non-ticket sources is also influenced by the mix of day versus destination visitors, the affluence of the visitor base, and the quantity and type of amenities and services offered at the resort.

Revenue per skier visit from ticket sales increased 4% from $27.19 to $28.17, with all of our resorts experiencing year-over-year increases. We increased the price of most of our ticket products in 2004 and at certain resorts offered package rates on a more selective basis than in 2003. In addition, we were able to increase our ticket prices in Colorado by offering dual mountain products (usable at Copper and Winter Park). Revenue per visit from non-ticket sources increased 4% from $24.16 to $25.02, with increases of 2% in retail and rental, 6% in ski school and 4% in food and beverage. We estimate that the increase in revenue per visit increased mountain resort revenue by $12.7 million in 2004.

For the purposes of this analysis, non-skier visit revenue comprises revenue from sources that are not driven by skier visits (i.e., golf and other summer activities at our mountain resorts and revenue from businesses such as Alpine Helicopters and the Intrawest Retail Group). Revenue from golf and other summer activities increased 4% across the mountain resorts from $37.6 million in 2003 to $39.1 million in 2004. Summer mountain visits were fuelled by excellent weather in the West leading to higher revenue from lift rides and the mountain bike park at Whistler Blackcomb. In addition our resorts benefited from an improvement in summer conference business. Golf rounds at the mountain resorts in 2004 were 5% below 2003, however this was offset by higher revenue per round. Revenue at Alpine and the Intrawest Retail Group increased by 9% and 1%, respectively. Superior snow conditions in 2004 increased Alpine's heli-skiing revenue and its non-ski revenue increased due to additional forest fire-fighting activities. Overall, non-skier visit revenue increased by $3.9 million in 2004.

WARM-WEATHER RESORTS

Revenue from warm-weather resorts increased 9% from $48.9 million in 2003 to $53.1 million in 2004 due to Sandestin, which increased by $5.0 million. Occupied room nights at Sandestin increased 20% in 2004, driving higher retail, and food and beverage revenue. The increase in room nights was partly due to stronger group business as a result of opening the new village conference center in June 2003. Golf rounds in 2004 were 4% lower than last year at Sandestin and 5% lower at our stand-alone golf courses. Demand for golf has not grown over the past few years and the markets in which our warm-weather golf courses operate are highly competitive. We are reviewing our marketing strategies for golf and plan to integrate them more closely into the Intrawest Leisure and Travel Group marketing infrastructure.

REVENUE BREAKDOWN

The breakdown of resort operations revenue by major business component was as follows:

(MILLIONS)	2004 REVENUE	NOTE[1]	2004 ADJUSTED	2003 REVENUE	INCREASE (DECREASE)	CHANGE (%)
Mountain operations	$ 250.9	$ (20.0)	$ 230.9	$ 228.6	$ 2.3	1
Retail and rental shops	101.3	(6.6)	94.7	95.9	(1.2)	(1)
Food and beverage	81.9	(4.3)	77.6	74.9	2.7	4
Ski school	41.7	(3.5)	38.2	37.1	1.1	3
Golf	27.3	(0.6)	26.7	28.0	(1.3)	(5)
Other	38.2	(0.9)	37.3	35.4	1.9	6
	$ 541.3	$ (35.9)	$ 505.4	$ 499.9	$ 5.5	1

[1] Removes the impact of the increase in the value of the Canadian dollar and adjusts Winter Park revenue to cover a comparable period as 2003.

The increase in mountain operations revenue was due mainly to strong revenue growth at Alpine and Mammoth (both of which experienced superior snow conditions in 2004 compared with 2003), partially offset by weaker performance at Copper and Stratton. Mammoth was also largely responsible for the increase in ski school revenue.

The decrease in retail and rental revenue was due mainly to a 6% decline at Whistler Blackcomb and an 8% decline in the Intrawest Retail Group (i.e., the Breeze and Max stores), both resulting from lower destination visits in their market areas.

The increase in food and beverage revenue was mainly due to an 8% increase at Sandestin resulting from its higher occupancy and the new conference center and $1.1 million more revenue at Intrawest Retail Group, which increased the number of its stores offering food and beverage.

Golf revenue decreased 7% at the mountain resorts and 3% at the warm-weather resorts as competitive pressures and poor weather at key times reduced the number of rounds played.

The "other" category comprises revenue from miscellaneous activities (e.g., tubing, tennis, pool), community services, club operations, telephone services and unique businesses such as the marina at Sandestin and the service station at Copper. The increase in other revenue in 2004 was mainly due to strong growth at Sandestin, resulting from its 20% increase in room nights.

RESORT OPERATIONS EXPENSES AND EBITDA

Resort operations expenses increased from $387.5 million in 2003 to $436.2 million in 2004. Mountain resort expenses increased by $43.4 million to $382.6 million while warm-weather resort expenses increased by $5.3 million to $53.6 million.

The impact of the timing of assuming control of Winter Park increased mountain resort expenses by $9.7 million and the translation effect of the stronger Canadian dollar increased it by a further $18.4 million. Excluding these two factors, mountain resort expenses increased by $15.3 million (5%) in 2004 due to:

(MILLIONS)	
Labor expenses	$ 3.2
Retail and food and beverage cost of goods	2.4
Operating expenses	7.1
General and administrative expenses	2.6
	$ 15.3

The increase in labor expenses (which constitute approximately 40% of total resort operations expenses) was due mainly to the increased business volumes at Mammoth and Alpine and significantly higher employee benefit costs. As many companies are experiencing, controlling employee benefit costs is a major challenge. Excluding employee benefit costs, we were able to reduce labor expenses in response to the lower business volumes at the resorts that saw a decline in skier visits.

Operating expenses increased by 10% due mainly to higher utility costs, rent and facilities and equipment maintenance. Warm weather at the start of the season increased our snowmaking costs. The rent increase was due in part to leasing back the employee housing units we sold in Whistler in 2003.

General and administrative expenses increased by $2.6 million (4%) due mainly to higher marketing and sales costs and increased support costs for new technology systems. Expenses in 2004 also include a $0.8 million settlement in connection with a previous year's sales tax audit at Snowshoe.

The increase in warm-weather resort expenses of $5.3 million was almost entirely due to Sandestin as increased business volumes and the opening of the new conference center resulted in higher labor and cost of goods sold. In addition, employee benefit costs increased by 20% or $1.0 million.

EBITDA from resort operations was $105.1 million in 2004 compared with $112.4 million in 2003. EBITDA from the mountain resorts decreased from $111.8 million to $105.5 million while EBITDA from the warm-weather resorts declined from $0.6 million to a loss of $0.4 million.

On a same-resort basis and removing the translation effect of the higher Canadian dollar, resort operations EBITDA was $14.9 million lower in 2004 than 2003. This was a disappointing result, particularly given the optimism we had coming into this fiscal year, after three years of economic weakness and severe disruption in the travel and leisure industry. The EBITDA decline in 2004 was mainly due to generating less revenue than we had expected. We believe that the organizational changes we announced in May 2004 will have a significant positive impact on our ability to grow our resort operations revenue, starting in fiscal 2005. With the formation of the Intrawest Leisure and Travel Group we will centralize certain marketing and sales functions and have a unified marketing strategy to leverage the individual marketing strategies at each resort. At the same time, we are reengineering our product offerings to make them more consistent and less expensive to provide.

FISCAL 2004 REVIEW OF MANAGEMENT SERVICES

Management services revenue increased by 41% from $88.2 million in 2003 to $124.4 million in 2004. The translation effect of the stronger Canadian dollar increased reported management services revenue by $2.8 million in 2004. Fees from property rental pool management, which accounted for almost 60% of total management services revenue in 2004, increased by $8.3 million to $71.2 million due mainly to fees earned at our new villages at Mammoth, Squaw Valley and Lake Las Vegas and a 4% increase in occupied room nights at our other resorts. We now have approximately 7,000 lodging units under management at 12 different resorts and we expect this portfolio to increase by about 500 units per year as we carry out our real estate development program.

We earned $13.2 million in fees from Leisura in 2004 for development and sales management services. This was the first year that we have provided management services to Leisura. Playground, our real estate sales business, charged third-party developers $22.0 million in sales fees, an increase of $7.8 million over 2003. In 2004 Playground sold about as many units on behalf of third-party developers as it did for Intrawest and these external fees are the fastest growing part of its business. The sales fees that Playground charges Intrawest are eliminated on consolidation against the corresponding commission expenses included in real estate cost of sales.

Reservations fees earned by RezRez, our central reservations business, increased by 8% to $12.6 million. In 2002 and early 2003 RezRez had expanded its operations into several warm-weather destinations, however this strategy was not successful and later in 2003 we pulled out of these locations to focus on ski destinations where RezRez has inherent competitive advantages over other travel providers. The balance of management services revenue of $2.6 million in 2004 comprises mainly golf course management fees. We currently manage 18 golf courses for other owners, 50% more than we managed a year ago. The ownership of golf courses in North America is highly fragmented and we expect to continue to grow our golf management business.

Management services expenses increased from $77.2 million in 2003 to $96.9 million in 2004 due to the higher volume of activity. EBITDA from management services increased two and a half times from $11.0 million to $27.5 million. The EBITDA margin improved from 12% to 22% due mainly to improved results from downsizing and reorganizing RezRez. Excluding RezRez, the EBITDA margin declined from 28% in 2003 to 27% in 2004, mainly due to a lower margin on our property rental pool management, which was impacted by start-up costs in the new villages at Mammoth, Squaw Valley and Lake Las Vegas.

FISCAL 2004 REVIEW OF RESORT REAL ESTATE OPERATIONS

We have two real estate businesses – Intrawest Placemaking and the Intrawest Resort Club. Intrawest Placemaking develops and sells three main products: condo-hotel units (typically, small village-based units that owners occupy sporadically and put into a rental pool at other times), townhome units (typically, larger units outside the main village core that owners primarily retain for their own use) and single-family lots (serviced land on which owners or other developers build homes). In order to broaden market appeal, condo-hotel and townhome units are sold on the basis of both whole ownership and fractional ownership. To date most of the fractional product has been quarter-share but we recently completed a high-end tenth-share project at Whistler and an eighth-share project at Snowmass. These two projects, developed and marketed by a new internal business called Storied Places, mark our entry into the private residence club market. The condo-hotel units are built above ground-floor retail space that we rent out to third-party tenants and partially occupy for our operations. This retail space is also developed for the purpose of sale. Intrawest Resort Club's business is a flexible form of timeshare where owners purchase points that entitle them to use accommodation at different resorts. Since Intrawest Resort Club currently generates less than 10% of our total real estate revenue it is not reported as a separate business segment in our financial statements.

Our business strategy for real estate has two major elements: to maximize profits from the sale of real estate units and to provide accommodation ("warm beds") for destination visitors, which represents an earnings annuity for the resort operations. Visitors renting the accommodation generate lodging revenue as well as revenue from purchasing lift tickets or golf fees, food and beverage, and retail.

We recognize real estate sales revenue at the time of "closing," which is when title to a completed unit is conveyed to the purchaser and the purchaser becomes entitled to occupancy. Since our standard practice is to pre-sell our real estate units, any proceeds received from purchasers prior to closing are recorded as deferred revenue in our balance sheet.

Our real estate business achieved record revenue and operating profit in 2004. The following table highlights the results compared with 2003.

	2004	2003	CHANGE (%)
Units closed	1,334	1,239	8
Revenue (millions)	$ 878.2	$ 512.7	71
Operating profit (millions)	$ 91.4	$ 68.3	34
Margin (%)	10.4	13.3	

Revenue for 2004 includes $171.5 million for 14 projects that were sold to Leisura. These sales proceeds comprise the fair market value of the land for the 14 projects as well as accumulated development costs. Excluding project sales to Leisura, revenue from real estate development increased 38% from $512.7 million in 2003 to $706.7 million in 2004. The translation effect of the higher Canadian dollar increased reported real estate development revenue by $25.4 million in 2004. Revenue generated by Intrawest Placemaking increased from $472.8 million to $662.2 million while revenue generated by Intrawest Resort Club increased from $39.9 million to $44.5 million.

INTRAWEST PLACEMAKING REVENUE

We closed a total of 403 units at Canadian resorts in 2004 compared with 528 units last year. The number of units that close in a particular period is not necessarily indicative of demand for real estate since it depends on the timing of construction completion as well as on transacting sales. In 2003 we also closed the sale of the majority of our commercial properties at Tremblant, recognizing revenue of $21.5 million. The average price per closed unit increased from Cdn.$436,000 in 2003 to Cdn.$642,000 in 2004, reflecting a disproportionately high number of closings in high-end projects, including the Four Seasons Resort and At Nature's Door in Whistler. Normally for the same product type at the same resort, we achieve year-over-year increases in average price per unit in the 5% to 10% range.

We closed 931 units outside of Canada (i.e., at U.S. resorts and Les Arcs in France) in 2004 compared with 711 units in 2003. The closings in 2004 included five development sites for total revenue of $52.7 million. Excluding the five development site sales, the average price per unit in 2004 was $450,000, 7% higher than 2003.

The mix of product types (i.e., condo-hotel, townhome and single-family lot) closed was weighted more towards condo-hotels in 2004. In total, 78% of the closings in 2004 were condo-hotel units, 17% were townhomes and 5% were lots, whereas in 2003, 62% were condo-hotel units, 27% were townhomes and 11% were lots.

INTRAWEST RESORT CLUB REVENUE

The resort club group generated $44.5 million in sales revenue in 2004, up from $39.9 million in 2003 due mainly to selling $3.4 million more add-on points to existing resort club members. We heavily promoted add-on points to the club members in 2004 and offered incentives for purchasing them. Since the marketing costs per point sold are lower for add-on sales, the margin on add-on sales is higher than other resort club sales.

We had expected stronger revenue growth from the resort club over the past two years, however sales were impacted by the slow economy and the uncertainty created by world events. This product type appears to be more of a consumer purchase than our other real estate products and confidence is an important factor in the purchase consideration. Furthermore, resort club product does not have the same sense of scarcity as other types of real estate so purchasers are under less pressure to buy.

LEISURA

As mentioned above we sold 14 projects to Leisura in 2004 for $171.5 million, comprising $89.4 million for the fair market value of land and $82.1 million for accumulated development costs. Since we account for Leisura on an equity basis, under Canadian GAAP, profit on the land sales must initially be deferred and then recognized on the same basis as Leisura recognizes its real estate revenue. Consequently, we recorded real estate expenses equal to $171.5 million on the initial project sales to Leisura, being land and accumulated development costs of $133.2 million and deferred profits of $38.3 million. Leisura recognizes real estate revenue using the percentage-of-completion method[1], which means that we recognize deferred land profit on the same basis. The recognition of deferred land profit is recorded as a credit to real estate development expenses in our statement of operations.

In addition to land profit and equity income (for our approximate one-third share of Leisura's real estate profits), we earn fees for providing development and sales management services to Leisura. These fees and the related expenses are included in the management services segment of our statement of operations.

REAL ESTATE OPERATING PROFIT

Operating profit from resort real estate development increased 34% from $68.3 million in 2003 to $91.4 million in 2004. The 2004 amount included $7.5 million of land profit and $1.7 million of equity income from Leisura. The profit margin was 10.4% in 2004 compared with 13.3% in 2003. The reduced margin was due to a number of factors, including:

- **The impact of deferring land profit on the project sales to Leisura.**
- **Expensing $5.0 million of interest and G&A costs related to land at Copper (see 2004 Fourth Quarter Results).**
- **Recording reserves totaling $7.7 million in connection with market weakness at Solitude and in Colorado, and various claims by homeowner associations and other parties related to projects that closed in prior years.**
- **The higher proportion of condo-hotel closings in 2004. Condo-hotels generally have a lower margin than townhomes or lots because their efficiency (ratio of saleable area to buildable area) is lower.**

Excluding the impact of the first three factors listed above, the profit margin in 2004 would have been 13.0%.

[1] Leisura has adopted the percentage-of-completion basis because the revenues and operating profits of its projects are reasonably determinable after construction has progressed beyond a preliminary stage. The projects that it buys are required to be an average of 60% pre-sold, so revenue risk is mitigated, and to have fixed-price, bonded contracts for major costs.

REAL ESTATE PRE-SALES

At August 31, 2004, we had pre-sold real estate revenue of $207 million that we expect to close in fiscal 2005 and an additional $137 million for delivery in 2006. Our strategy of pre-selling projects before the start of construction reduces market risk and increases the predictability of real estate earnings.

FISCAL 2004 REVIEW OF CORPORATE OPERATIONS

INTEREST AND OTHER INCOME

Interest and other income was $6.1 million in 2004, up from $2.4 million in 2003 due mainly to the recovery of $2.6 million of fuel spill remediation costs spent in previous years at Mammoth and higher interest income, including interest on land notes receivable from Leisura. The Canadian Leisura partnerships pay 75% of the land price on closing and 25% is secured by an interest-earning note that is paid from unit closings.

INTEREST COSTS

Note 16 of our financial statements provides a reconciliation of total interest incurred to the amount of interest expense (including interest in real estate expenses) in the statement of operations. The reduction in interest incurred from $102.9 million in 2003 to $94.6 million in 2004 was due to the redemption of our $200 million 9.75% notes in the second quarter (we replaced the 9.75% senior notes by issuing $350 million 7.5% senior notes and using the surplus proceeds to pay down other debt) and lower average debt balances and interest rates in 2004 than 2003. In total, $71.3 million of the interest incurred in 2004 was expensed ($45.8 million as interest expense and $25.5 million of previously capitalized interest within real estate expenses), up from $62.1 million in 2003 ($47.2 million as interest expense and $14.9 million within real estate expenses).

We paid a call premium of $9.8 million to redeem the 9.75% senior notes. This amount and the balance of unamortized costs of $2.3 million incurred to issue 9.75% senior notes were expensed in 2004.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense increased from $67.5 million in 2003 to $68.6 million in 2004 due mainly to the translation effect of the higher Canadian dollar.

GENERAL AND ADMINISTRATIVE COSTS

All general and administrative ("G&A") costs incurred by our resorts in connection with the resort operations and management services businesses are included in resort operations and management services expenses. Similarly, G&A costs incurred in the development of real estate are initially capitalized to properties, and then expensed as part of real estate costs in the period when the properties are closed. Corporate G&A expenses, which mainly comprise executive employee costs, public company costs, audit and legal fees, corporate information technology costs and head office occupancy costs are disclosed as a separate line in the statement of operations.

Corporate G&A expenses increased from $14.9 million in 2003 to $20.4 million in 2004. The higher Canadian dollar increased reported corporate G&A by $2.1 million and the balance of the increase was primarily due to higher compensation costs (partly as a result of changing our accounting policy to expense employee stock options) and increased corporate governance costs (in 2004 we established an internal audit department).

WRITE-DOWN OF TECHNOLOGY ASSETS IN 2003

In 2003 we wrote-down certain technology assets by $12.3 million for obsolete systems that we replaced when we moved to greater standardization and for systems that became redundant when we downsized RezRez.

INCOME TAXES

Income tax expense was $10.4 million in 2004 compared with $6.2 million in 2003. This equates to an effective tax rate of 12.5% in 2004, up modestly from 12.0% in 2003. Note 13 of our consolidated financial statements provides a reconciliation between the income tax charge at the statutory rate (36.0% and 38.0%, respectively, in 2004 and 2003) and the actual income tax charge. We expect our effective tax rate in fiscal 2005 to be approximately the same as in fiscal 2004.

NON-CONTROLLING INTEREST

We have a 23% limited partner in the two partnerships that own Whistler Blackcomb. The results of the two partnerships are fully consolidated into our financial statements with the outside partner's share of earnings shown as non-controlling interest. Non-controlling interest increased from $11.3 million in 2003 to $12.9 million in 2004, reflecting higher real estate profits (we closed 42% more units at Whistler Blackcomb in 2004 than 2003), partially offset by somewhat lower resort operations EBITDA.

DISCONTINUED OPERATIONS

In 2003 and prior years, our financial statements disclosed the results of the non-resort real estate business as discontinued operations. The cash flow from the non-resort real estate business was paid to the holders of the non-resort preferred ("NRP") shares to redeem their shares. In December 2002 the discontinued operations were wound up and all the remaining NRP shares were redeemed, hence we have no discontinued operations in 2004 compared with a loss of $0.6 million incurred prior to the wind up in 2003.

2004 FOURTH QUARTER RESULTS

Net income for the fourth quarter of 2004 (the "2004 quarter") was $2.6 million compared with a loss of $14.4 million in the fourth quarter last year (the "2003 quarter"). In the 2003 quarter we wrote-down certain technology assets by $12.3 million as a result of our decision to standardize business systems across resorts and to downsize RezRez. Excluding this unusual item, the loss in the 2003 quarter was $3.7 million ($0.08 loss per diluted share).

Resort operations revenue increased from $68.9 million in the 2003 quarter to $76.2 million in the 2004 quarter due mainly to higher revenue at Whistler Blackcomb, which was severely impacted by world events (the war in Iraq and SARS) in the 2003 quarter, and increased revenue at Sandestin, which experienced a 44% increase in occupied room nights. Resort operations incurred an EBITDA loss of $20.7 million in the 2004 quarter compared with a $16.1 million loss in the 2003 quarter. Increases in EBITDA at Whistler Blackcomb and Sandestin were offset by higher losses at our eastern resorts and at our stand-alone golf operations due in part to poor weather.

Management services revenue increased from $23.4 million in the 2003 quarter to $29.2 million in the 2004 quarter due mainly to development and sales service fees charged to Leisura and lodging management fees from the new villages at Mammoth, Squaw Valley and Lake Las Vegas. These revenue increases and reduced expenses, as a result of downsizing RezRez, increased management services EBITDA from $0.3 million in the 2003 quarter to $5.7 million in the 2004 quarter.

Real estate development revenue increased from $279.2 million in the 2003 quarter to $379.7 million in the 2004 quarter. We sold four projects to Leisura for $62.7 million, and we sold a property in Orlando that we had purchased earlier in the year to a partnership (in which we are a partner) for $21.5 million in the 2004 quarter. In the 2003 quarter, we closed the sale of the majority of our commercial properties at Tremblant for $21.5 million. We closed 540 units in the 2004 quarter at an average price per unit of $531,000 compared with 677 units in the 2003 quarter at an average price per unit of $375,000. The higher average price per unit reflects a disproportionately high number of closings in high-end projects, including the Four Seasons Resort in Whistler. Operating profit from real estate development increased from $42.0 million in the 2003 quarter to $49.0 million in the 2004 quarter. Operating profit in the 2004 quarter was reduced by $5.0 million to expense interest and G&A costs that were capitalized earlier in the fiscal year to the land and infrastructure costs at Copper. A re-zoning of the land at Copper is currently under review and we decided to expense holding costs pending the outcome of the review. In accordance with GAAP, the profit on the $62.7 million of project sales to Leisura was deferred.

Interest and other income was $1.3 million in the 2004 quarter compared with a loss of $0.1 million in the 2003 quarter due to miscellaneous loss reserves and provisions that reduced other income in the 2003 quarter. Interest expense decreased from $13.9 million to $11.1 million mainly due to lower debt levels and interest savings from refinancing our senior notes in the second quarter. Corporate G&A expenses increased from $3.8 million to $6.7 million due to increased incentive compensation, expensing the cost of stock options and higher corporate governance costs. Depreciation and amortization expense decreased from $15.1 million to $13.9 million due to adjustments in the 2003 quarter to accelerate the amortization of certain technology systems.

LIQUIDITY AND CAPITAL RESOURCES

Last year we set a target to generate at least $250 million in free cash flow in fiscal 2004, which would primarily be used to pay down debt. With strong results from our real estate development and management services businesses, disciplined capital spending and the impact of the Leisura partnerships, we were able to surpass this goal and generate $292.9 million of free cash flow, which we used to reduce our net debt by $285.1 million.

(MILLIONS)	2004	2003
Cash provided by (used in) continuing operating activities	$ 422.8	$ (20.9)
Expenditures on ski and resort operations assets	(69.3)	(64.5)
Expenditures on other assets	(23.3)	(15.3)
Investment in Leisura	(37.3)	—
Free cash flow	$ 292.9	$ (100.7)

The primary reason for this turnaround in free cash flow was the formation of the Leisura partnerships that have allowed us to reduce the capital required for real estate, while at the same time positioning us to grow that part of our business. We estimate that $210.8 million of free cash flow in 2004 was due to Leisura and $82.1 million was due to other factors.

LEISURA PARTNERSHIPS

In 2003 we entered into two partnerships (one in Canada and one in the U.S., collectively referred to as "Leisura") that were intended to carry out the ownership and financing of the bulk of our real estate production. By selling the bulk of our production-phase real estate business to separate and independent entities, we had a number of objectives, including:

- To significantly reduce the capital requirements needed to support the real estate business.
- To significantly reduce our debt levels.
- To limit our exposure to the risks of the production-phase real estate business, and
- To implement separate and appropriate capital structures for our resort business and our real estate business.

The types of projects that are sold to Leisura are the most capital-intensive condo-hotel and townhome projects that typically take 18 months to two years to build. We continue to develop smaller townhome projects and single-family lots as well as resort club and fractional projects within Intrawest. In addition, we do not sell projects at certain resorts to Leisura (e.g., Snowmass because it is a joint venture development and Les Arcs because construction is primarily purchaser-financed).

We continue to identify land parcels for development, and complete the master planning, project design and pre-sales process for all real estate projects. We sell projects to Leisura when they have reached set pre-sale targets and construction is about to commence. Leisura then constructs the projects, sells the remaining units and transfers title to the units to the end purchasers. Construction financing is secured by the projects with recourse only to Leisura. Once a project is sold to it, Leisura bears all the risks of cost overruns, construction delays, purchaser contract rescissions and selling any unsold units.

We expect to sell most of our condo-hotel and large townhome projects to Leisura in the future, however there is no guarantee that this will occur.

CASH FLOWS IN 2004 COMPARED WITH 2003

The major sources and uses of cash in 2004 and 2003 are summarized in the table below. This table should be read in conjunction with the Consolidated Statements of Cash Flows, which are more detailed as prescribed by GAAP.

(MILLIONS)	2004	2003	CHANGE
Funds from continuing operations	$ 148.7	$ 128.3	$ 20.4
Net recovery of (investment in) real estate properties	255.7	(168.5)	424.2
Acquisitions, resort capex and other investments	(114.0)	(42.9)	(71.1)
Net cash flow from working capital	18.4	19.3	(0.9)
Net cash flow from operating and investing activities	308.8	(63.8)	372.6
Net financing inflows (outflows)	(325.8)	113.9	(439.7)
Increase (decrease) in cash	$ (17.0)	$ 50.1	$ (67.1)

We generated $148.7 million of funds from continuing operations in 2004, up from $128.3 million in 2003 due mainly to increased real estate profits and management services EBITDA, partially offset by reduced resort operations EBITDA. For more details see the Review of Operations sections at the front of this MD&A.

The most significant year-over-year change in our cash flows was in real estate, where we recovered $255.7 million of properties in 2004 versus a net investment of $168.5 million in 2003. This positive swing of $424.2 million was due to the impact of the Leisura partnerships and the maturing of our real estate portfolio.

We estimate that selling projects to Leisura resulted in a net recovery of $219.6 million of real estate costs. This amount comprises the recovery of costs on the sale of 14 projects plus the incremental costs expended by Leisura since the acquisition date. If the projects had not been sold to Leisura, we would have incurred these incremental costs. In the initial years of real estate development at a resort cash flows are typically negative, as costs are incurred on acquiring land, master planning, securing municipal approvals, envisioning and building resort infrastructure, and little or no cash is received from sales. As the properties mature, less cash is spent on these start-up activities while cash flow from sales escalates. Over the past few years our properties have matured and we estimate that they generated a net recovery of $36.1 million of real estate costs in 2004.

We expect cash flow from real estate will be less in 2005 than 2004 due mainly to the first year impact of Leisura. In 2004 we completed construction of several major condo-hotel projects and realized significant cash flow from closings. At the same time, the most capital-intensive projects that commenced construction in 2004 were sold to Leisura, limiting our capital requirements to our approximate one-third equity investment in Leisura (about 10% of the total capital for each project). One transaction that could provide significant cash flow in 2005 is the sale of our commercial real estate assets. In August 2004 we announced that we intended to form a partnership with a real estate investment trust ("REIT") under which the REIT would acquire an 80% interest in commercial properties that have a total value of $160 million. The cash flow on closing to Intrawest (net of our 20% investment in the partnership and other costs) is expected to be about $135 million. This transaction, which is subject to a number of conditions, is scheduled to close before the end of December 2004. Since many of the conditions are outside our control, there is no assurance that this transaction will be completed.

Acquisitions, resort capital expenditures ("capex") and other investments used $114.0 million of cash in 2004, $71.1 million more than in 2003, of which $37.3 million was our investment in Leisura. Approximately 70% of Leisura's capital is provided by construction financing and 30% by the equity investors, with our share being about one-third. We expect to recover some of our investment in the Leisura partnerships in 2005 as projects complete construction and units close.

With respect to acquisitions, in 2003 we used $2.8 million of cash when we assumed control of Winter Park (the majority of the purchase price was financed through a capital lease). Subsequent to our 2004 fiscal year end, we acquired a 66⅔% interest in Abercrombie & Kent Group of Companies, S.A. ("A&K"), a worldwide luxury adventure-travel company, for a total investment of less than $10 million. We believe that A&K will add to the diversity of our product range, open up significant cross-marketing opportunities between our respective customer bases and counterbalance the seasonality of our mountain resort operations.

We spent $69.3 million on resort capex in 2004, up from $64.5 million in 2003. Each year we spend about $30 million on maintenance capex at our resorts. Maintenance capex is considered non-discretionary (since it is required to maintain the existing level of service) and comprises such things as snow grooming machine or golf cart replacement, snowmaking equipment upgrades and building refurbishments. Expansion capex (e.g., new lifts or new restaurants) is considered discretionary and the annual amount spent varies year by year. We expect maintenance and expansion capex to be in the range of $70 million to $80 million in 2005. Our planned expansion capex for 2005 primarily includes building a second golf course (Lora Bay) adjacent to Blue Mountain, trail expansion at Whistler Blackcomb, lift and village improvements at Mammoth, and investments in technology systems and outfitting retail stores at various resorts.

In addition to resort capex, we spent $23.3 million on other assets (mainly furniture, fixtures and equipment outside of our resorts, information technology systems, long-term financing costs and miscellaneous investments) in 2004 compared with $15.3 million in 2003. The amount in 2004 includes $6.8 million of costs in connection with our issue of $350 million of senior notes in the second quarter (these costs are being amortized over the 10-year term of the notes), $6.4 million of deferred cash proceeds on the sale of resort club notes receivable, and a $3.2 million investment in a tour operator in Colorado.

Proceeds from non-core asset sales generated $15.9 million of cash in 2004, down from $39.8 million in 2003. We sold 55% of our investment in Compagnie des Alpes in 2003 and the remaining 45% in 2004. In addition, in 2003 we sold our employee housing units at Whistler Blackcomb. We have identified other non-core assets for disposal and we will continue our program of selling these assets in the future.

Working capital provided $18.4 million of cash in 2004, down from $19.3 million in 2003. This represents the cash flow from changes in receivables, other assets, payables and deferred revenue.

In total, our operating and investing activities provided $308.8 million of cash in 2004, which we primarily used to pay down debt. At June 30, 2004, we had paid our debt down to $958.8 million. By comparison, in 2003 our operating and investing activities used $63.8 million cash, which was funded mainly by borrowings.

CONTRACTUAL OBLIGATIONS AND LIQUIDITY

The following table summarizes our contractual obligations as at June 30, 2004:

		PAYMENTS DUE BY PERIOD			
MILLIONS	TOTAL	LESS THAN 1 YEAR	1 – 3 YEARS	4 – 5 YEARS	AFTER 5 YEARS
Long-term debt	$ 923.6	$ 101.8	$ 48.7	$ 7.6	$ 765.5
Capital leases	35.2	6.6	20.1	2.7	5.8
Operating leases	127.8	12.7	20.7	16.8	77.6
Purchase obligations[1]	87.4	70.7	16.7	—	—
Other long-term obligations	—	—	—	—	—
Total contractual obligations	$ 1,174.0	$ 191.8	$ 106.2	$ 27.1	$ 848.9

[1] Purchase obligations comprise construction and other contracts related to our real estate business.

Our primary contractual obligations are payments under long-term debt agreements. At June 30, 2004, we had drawn $42.1 million on our senior credit facility and the repayment of this debt is included in the amount due in less than one year because the facility was scheduled to mature within six months. In August 2004 the term of this facility was extended for a further three years (see below). Also included in the amount due in less than one year is $29.0 million of construction financing that we expect to repay from the proceeds of real estate closings. We expect to fund the remainder of the debt as well as the other contractual obligations in the ordinary course of business through our operating cash flows and our credit facilities.

We have a number of revolving credit facilities to meet our capital needs. Our senior credit facility was renewed subsequent to our fiscal year end for a term of three years and its capacity was increased to $425 million. In addition to our drawings of $42.1 million at June 30, 2004, we had issued letters of credit totaling $69.1 million under this facility, leaving $313.8 million available to cover our future liquidity requirements. Several of our resorts also have lines of credit in the range of $5 million to $10 million each to fund seasonal cash requirements. Financing for real estate construction is provided through one-off project-specific loans. We believe that these credit facilities, combined with cash on hand and internally generated cash flow, are adequate to finance all of our normal operating needs.

OFF-BALANCE SHEET ARRANGEMENTS

We have no commitments that are not reflected in our balance sheets except for operating leases, which are included in the table of contractual obligations above, and commitments primarily under various servicing agreements that are secured by letters of credit. As disclosed in Note 15 of our consolidated financial statements, we have issued letters of credit for these purposes amounting to $80.9 million at June 30, 2004.

BUSINESS RISKS

We are exposed to various risks and uncertainties in the normal course of our business that can cause variation in our results of operations and affect our financial condition. Some of these risks and uncertainties, as well as the factors or strategies that we employ to mitigate them, are discussed below. Additional risks and uncertainties not described below or not presently known to us could affect our businesses. It is impossible to predict whether any risk will occur, or if it does, what its ultimate consequences might be, hence the impact on our business could be materially different than we currently expect.

ECONOMIC DOWNTURN

Skiing and golf are discretionary recreational activities with relatively high participation costs. A severe economic downturn could reduce spending on resort vacations and result in declines in visits and revenue per visit. In addition, a deterioration of economic conditions could weaken sales of resort real estate and reduce the value of our real estate assets.

Mitigating factors and strategies:

- The profile of our customer base, with incomes well above the national average, makes them less likely to have their vacation plans impacted by a recession.
- The geographic diversity of our resorts reduces the impact of an economic downturn in any particular region.
- Our practice of securing land through options or joint ventures and pre-selling real estate before the start of construction reduces the cost of land holdings and unsold real estate units in the event of a market downturn.

COMPETITION

The industries in which we operate are highly competitive. In the case of resort operations we face competition not only from other resort operators but also from other leisure providers (e.g., cruise lines). There can be no assurance that our principal competitors will not be successful in capturing a share of our present or potential customer base.

Mitigating factors and strategies:

- The mountain resort industry has significant barriers to entry (e.g., very high start-up costs, significant environmental hurdles) so new resorts are unlikely to be created.
- Our resorts have natural competitive advantages (e.g., in terms of location, vertical drop and quality of terrain) and we have enhanced those advantages by upgrading the facilities on the mountain and building resort villages at the base.
- We have a loyal customer base that is strongly committed to our resorts.
- We control substantially all of the supply of developable land at the base of our resorts.
- We have expertise in all aspects of the development process, including resort master-planning, project design, construction, sales and marketing, and property management.

CURRENCY FLUCTUATIONS

A significant shift in the value of the Canadian dollar, particularly against the U.S. dollar, could impact visits and therefore earnings at our Canadian resorts. In addition, since we report earnings in U.S. dollars but our income is derived from both Canadian and U.S. sources, we are exposed to foreign currency exchange risk in our reported earnings. Revenues and expenses of our Canadian operations will be impacted by changes in exchange rates when they are reported in U.S. dollars.

Mitigating factors and strategies:

- The Canadian dollar is at a significant discount to the U.S. dollar and it is unlikely in the foreseeable future that its value would increase enough to materially impact our business volumes.
- We have a natural hedge since, to the extent increases in the value of the Canadian dollar reduce visits, they also increase our reported earnings.

WORLD EVENTS

World events such as the terrorist attacks on September 11, 2001, the war in Iraq and the SARS outbreak in 2003 disrupt domestic and international travel and reduce visits, or change the mix of visits, to our resorts. Often these types of events occur suddenly and cannot be prepared for.

Mitigating factors and strategies:

- **Our customers have a high degree of commitment (e.g., as season pass holders or property owners).**
- **A significant proportion of our visitors drive to our resorts (approximately 85% of all resort visits) and are not reliant on air travel.**
- **Our investment in customer relationship management (CRM) tools and personnel allows us to readily communicate with our database of customers and market products to them.**

UNFAVORABLE WEATHER CONDITIONS

Our ability to attract visitors to our resorts is influenced by weather conditions and the amount of snowfall during the ski season. Prolonged periods of adverse weather conditions, or the occurrence of such conditions during peak visitation periods, could have a material adverse effect on our operating results.

Mitigating factors and strategies:

- **The geographic diversity of our resorts reduces the risk associated with a particular region's weather patterns.**
- **Our investment in snowmaking compensates for poor natural snow conditions. Snowmaking is particularly important in the East due to the number of competing resorts and less reliable snowfall. We have an average of 92% snowmaking coverage across our five eastern resorts.**
- **Our villages attract destination visitors who book in advance, stay several days and are less likely than day visitors to change their vacation plans.**

SEASONALITY OF OPERATIONS

Resort operations are highly seasonal. In fiscal 2004, 68% of our resort operations revenue was generated during the period from December to March, the prime ski season. Furthermore during this period a significant portion of resort operations revenue is generated on certain holidays, particularly Christmas/New Year, Presidents' Day and school spring breaks, and on weekends. Our real estate operations tend to be somewhat seasonal as well, with construction primarily taking place during the summer and the majority of sales closing in the December to June period. This seasonality of operations impacts reported quarterly earnings. The operating results for any particular quarter are not necessarily indicative of the operating results for a subsequent quarter or for the full fiscal year.

Mitigating factors and strategies:

- **We have taken steps to balance our revenue and earnings throughout the year by investing in four-season amenities (e.g., golf) and growing summer and shoulder-season businesses. As a result of these initiatives, the proportion of resort operations revenue earned outside the historically strong third fiscal quarter has increased to 45% in 2004 from 33% in 1997. The A&K acquisition subsequent to year-end will counterbalance the seasonality of our mountain resort operations as A&K's earnings arise primarily in the summer months.**

REAL ESTATE DEVELOPMENT

As a real estate developer we are exposed to several industry-specific risks, including an inability to obtain zoning approvals or building permits, construction and other development costs could exceed budget, project completion could be delayed and purchasers could rescind their purchase contracts. In addition there is no assurance that market conditions will support our planned real estate development activities.

Mitigating factors and strategies:

- **Our experience in resort master planning equips us to deal with municipal approval agencies and our approach of consulting with all community stakeholders during the planning process helps to ensure that we face less resistance at public hearings.**
- **We are not in the construction business – we engage general contractors under fixed-price contracts with completion penalties.**
- **Our pre-sales contracts require purchasers to put down 20% deposits, i.e., generally in the range of $50,000 to $150,000, which they forfeit if they do not close.**
- **For the projects that are sold to Leisura the risks of cost overruns, construction completion and purchaser contract rescissions are borne by Leisura rather than Intrawest.**

CRITICAL ACCOUNTING POLICIES

Our significant policies are described in Note 2 of our consolidated financial statements. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingencies. These estimates and judgments are based on factors that are inherently uncertain. On an ongoing basis, we evaluate our estimates based on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Actual amounts could differ from those based on such estimates and assumptions.

We believe the following critical accounting policies call for management to make significant judgments and estimates.

FUTURE NET CASH FLOWS FROM PROPERTIES Properties under development and held for sale, which totaled $780.7 million at June, 30, 2004, are recorded at the lower of cost and net realizable value. In determining net realizable value it is necessary, on a non-discounted basis, to estimate the future cash flows from each individual project for the period from the start of land servicing to the sell-out of the last unit. This involves making assumptions about project demand and sales prices, construction and other development costs, and project financing. Changes in our assumptions could affect future cash flows from properties leading to reduced real estate profits or potentially property write-downs.

REVENUE RECOGNITION Resort operations and management services revenue is recognized as products are delivered and services are performed. Some of this revenue is deferred (e.g., sales of season ski passes and club memberships) and recognized later based on our estimate of usage. Real estate revenue is recognized when we have fulfilled all major conditions, title has been conveyed to the purchaser and we have received a payment that is appropriate in the circumstances. Judgment is required in the determination of which major conditions may be important and also the timing of when they have been satisfied. We must also make assumptions that affect real estate expenses, including the remaining costs to be incurred on units sold and, since costs are allocated to units sold using the relative sales value method, future revenue from unsold units.

USEFUL LIVES FOR DEPRECIABLE ASSETS Resort operations assets and administrative furniture, computer equipment, software and leasehold improvements are depreciated using both the declining balance and straight-line basis (depending on the asset category) over the estimated useful life of the asset. Due to the relatively large proportion of these assets relative to total assets (42% at June 30, 2004), the selections of the method of depreciation and length of depreciation period could have a material impact on depreciation expense and net book value of assets. Assets may become obsolete or require replacement before the end of their estimated useful life in which case any remaining undepreciated costs would be written off.

VALUE OF FUTURE INCOME TAX ASSETS AND LIABILITIES In determining our income tax provision, we are required to interpret tax legislation in a variety of jurisdictions and make assumptions about the expected timing of the reversal of future tax assets and liabilities. In the event that our interpretations differed from those of the taxing authorities or that the timing of reversals is not as anticipated, the tax provision could increase or decrease in future periods.

At June 30, 2004, we had accumulated $97.3 million of non-capital loss carryforwards, which expire at various times through 2024. We have determined that it is more likely than not that the benefit of these losses will be realized in the future and we have recorded future tax assets of $22.3 million related to them. If it is determined in the future that it is more likely than not that all or a part of these future tax assets will not be realized, we will make a charge to earnings at that time.

NEW ACCOUNTING PRONOUNCEMENT

The CICA has issued a guideline on the consolidation of variable-interest entities ("VIEs"), which is effective for fiscal periods beginning on or after November 1, 2004. The guideline requires us to identify VIEs in which we have an interest, determine whether we are the primary beneficiary of the VIE (the party that will absorb the majority of the VIE's expected losses, or receive a majority of its expected returns) and, if so, consolidate the VIE. The rules in the guideline are complex and require judgment as to their interpretation. Among other things, our accounting treatment of Leisura and certain sales and leaseback transactions would have to be assessed on the basis of the rules in the guideline. We have reviewed the guideline and believe its application would not change our consolidated financial statements at June 30, 2004.

ADDITIONAL INFORMATION

TOTAL COMPANY EBITDA

MILLIONS	2004	2003
Cash flow provided by (used in) continuing operating activities	$ 422.9	$ (21.0)
Add (deduct):		
Changes in non-cash operating assets and liabilities	(274.2)	149.3
Current income tax expense	11.6	10.2
Interest expense	45.8	47.1
Interest in real estate costs	64.7	32.4
Call premium and unamortized costs on senior notes redeemed	12.1	—
Write-down of technology assets	—	12.3
	282.9	230.3
Interest and other income net of non-cash items	(14.6)	(21.1)
Total Company EBITDA	$ 268.3	$ 209.2

RESORT OPERATIONS EBITDA

MILLIONS	2004	2003
Resort operations revenue	$ 541.3	$ 499.9
Resort operations expenses	436.2	387.5
Resort operations EBITDA	$ 105.1	$ 112.4

MANAGEMENT SERVICES EBITDA

MILLIONS	2004	2003
Management services revenue	$ 124.4	$ 88.2
Management services expenses	96.9	77.2
Management services EBITDA	$ 27.5	$ 11.0

SELECTED ANNUAL INFORMATION
(in millions of dollars, except per share amounts)

	YEARS ENDED OR AS AT JUNE 30		
	2004	2003	2002
Total revenue	$ 1,551.7	$ 1,103.2	$ 985.6
Income from continuing operations	59.9	34.8	58.6
Results of discontinued operations	—	(0.6)	(0.1)
Net income	59.9	34.2	58.5
Total assets	2,255.8	2,515.7	2,166.9
Total long-term liabilities	1,468.4	1,804.6	1,489.6
PER COMMON SHARE			
Income from continuing operations			
Basic	1.26	0.73	1.33
Diluted	1.25	0.73	1.31
Net income			
Basic	1.26	0.73	1.33
Diluted	1.25	0.73	1.31
Cash dividends declared (Canadian dollars)	0.16	0.16	0.16

QUARTERLY FINANCIAL SUMMARY

(in millions of dollars, except per share amounts)

	2004 QUARTERS				2003 QUARTERS			
	1ST	2ND	3RD	4TH	1ST	2ND	3RD	4TH
Total revenue	$ 227.8	$ 398.8	$ 437.9	$ 487.2	$ 114.5	$ 212.4	$ 404.9	$ 371.4
Income (loss) from continuing operations	0.9	0.2	56.2	2.6	(11.0)	3.4	56.8	(14.4)
Results of discontinued operations	0.0	0.0	0.0	0.0	0.0	(0.6)	0.0	0.0
Net income (loss)	0.9	0.2	56.2	2.6	(11.1)	2.8	56.8	(14.4)
PER COMMON SHARE:								
Income (loss) from continuing operations								
Basic	0.02	0.01	1.18	0.05	(0.23)	0.07	1.20	(0.31)
Diluted	0.02	0.01	1.17	0.05	(0.23)	0.07	1.19	(0.30)
Net income (loss)								
Basic	0.02	0.01	1.18	0.05	(0.23)	0.07	1.20	(0.31)
Diluted	0.02	0.01	1.17	0.05	(0.23)	0.07	1.19	(0.30)

OUTSTANDING SHARE DATA

As at September 2, 2004, we have issued and there are outstanding 47,921,744 Common Shares and stock options exercisable for 4,220,150 Common Shares.

Management's Responsibility

The consolidated financial statements of Intrawest Corporation have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the preparation and presentation of the information contained in the consolidated financial statements. The Company maintains appropriate systems of internal control, policies and procedures that provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for preparation of financial statements.

The Company's independent auditors, KPMG LLP, have been appointed by the shareholders to express their professional opinion on the fairness of the consolidated financial statements. Their report is included below.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control through an Audit Committee which is composed entirely of outside directors. This committee reviews the consolidated financial statements and reports to the Board of Directors. The auditors have full and direct access to the Audit Committee.

Joe S. Houssian
Chairman, President and Chief Executive Officer
SEPTEMBER 2, 2004

John E. Currie
Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Intrawest Corporation as at June 30, 2004 and 2003 and the consolidated statements of operations, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants
Vancouver, Canada
SEPTEMBER 2, 2004

Consolidated Statements of Operations

For the years ended June 30, 2004 and 2003
(In thousands of United States dollars, except per share amounts)

	2004	2003
RESORT OPERATIONS:		
Revenue	$ 541,315	$ 499,885
Expenses	436,184	387,450
Resort operations contribution	105,131	112,435
MANAGEMENT SERVICES:		
Revenue	124,394	88,202
Expenses	96,909	77,223
Management services contribution	27,485	10,979
REAL ESTATE DEVELOPMENT:		
Revenue	878,195	512,695
Expenses	788,504	444,438
	89,691	68,257
Income from equity accounted investment	1,683	—
Real estate development contribution	91,374	68,257
Income before undernoted items	223,990	191,671
Interest and other income	6,117	2,417
Interest expense	(45,766)	(47,142)
Corporate general and administrative expenses	(20,369)	(14,889)
Depreciation and amortization	(68,626)	(67,516)
Call premium and unamortized costs of senior notes redeemed	(12,074)	—
Write-down of technology assets (note 8 (b))	—	(12,270)
Income before income taxes and non-controlling interest	83,272	52,271
Provision for income taxes (note 13)	(10,434)	(6,243)
Non-controlling interest	(12,889)	(11,274)
Income from continuing operations	59,949	34,754
Results of discontinued operations (note 4)	—	(578)
Net income	$ 59,949	$ 34,176
NET INCOME PER COMMON SHARE (note 12(h)):		
Basic	$ 1.26	$ 0.73
Diluted	1.25	0.73

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

June 30, 2004 and 2003
(In thousands of United States dollars)

	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 109,816	$ 126,832
Amounts receivable (note 7)	142,427	126,725
Other assets (note 8(a))	94,105	123,610
Resort properties (note 6)	412,343	662,197
Future income taxes (note 13)	18,638	10,619
	777,329	1,049,983
Resort operations (note 5)	940,949	918,727
Resort properties (note 6)	368,309	405,100
Amounts receivable (note 7)	52,958	76,842
Investment in and advances to Leisura (note 20)	50,899	—
Other assets (note 8(b))	65,306	65,070
	$2,255,750	$2,515,722
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Amounts payable	$ 209,037	$ 223,832
Deferred revenue and deposits (note 10)	87,649	134,878
Bank and other indebtedness (note 9)	109,685	287,176
	406,371	645,886
Bank and other indebtedness (note 9)	849,132	973,743
Deferred revenue and deposits (note 10)	82,211	43,609
Future income taxes (note 13)	87,461	94,986
Non-controlling interest in subsidiaries	43,266	46,359
	1,468,441	1,804,583
Shareholders' equity:		
Capital stock (note 12)	463,485	460,742
Retained earnings	318,883	264,640
Foreign currency translation adjustment	4,941	(14,243)
	787,309	711,139
	$2,255,750	$2,515,722

Contingencies and commitments (note 15)
Subsequent event (note 23)

Approved on behalf of the Board:

Joe S. Houssian
Director

Paul M. Manheim
Director

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

For the years ended June 30, 2004 and 2003
(In thousands of United States dollars)

	2004	2003
Retained earnings, beginning of year	**$ 264,640**	**$ 235,515**
Net income	**59,949**	**34,176**
Dividends	**(5,706)**	**(5,051)**
Retained earnings, end of year	**$ 318,883**	**$ 264,640**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended June 30, 2004 and 2003
(In thousands of United States dollars)

	2004	2003
CASH PROVIDED BY (USED IN):		
OPERATIONS:		
Income from continuing operations	**$ 59,949**	**$ 34,754**
Items not affecting cash:		
Depreciation and amortization	**68,626**	**67,516**
Future income taxes	**(1,240)**	**(3,914)**
Income from equity accounted investment	**(1,683)**	—
Amortization of financing costs	**6,441**	**3,479**
Loss on asset disposals, net of write-offs	**1,388**	**858**
Stock-based compensation	**290**	—
Amortization of benefit plan	**1,992**	**2,097**
Write-down of technology assets	—	**12,270**
Non-controlling interest	**12,889**	**11,274**
Funds from continuing operations	**148,652**	**128,334**
Recovery of costs through real estate sales	**743,405**	**433,011**
Acquisition and development of properties held for sale	**(487,659)**	**(601,524)**
Changes in amounts receivable, net	**42,396**	**(10,109)**
Changes in non-cash operating working capital (note 21)	**(23,929)**	**29,269**
Cash provided by (used in) continuing operating activities	**422,865**	**(21,019)**
Cash provided by discontinued operations	—	**140**
	422,865	**(20,879)**
FINANCING:		
Proceeds from bank and other borrowings	**537,286**	**599,112**
Repayments of bank and other borrowings	**(841,332)**	**(469,234)**
Issue of common shares for cash, net of issuance costs	**461**	**2,684**
Redemption and repurchase of non-resort preferred shares (note 12(a))	—	**(6,697)**
Dividends paid	**(5,706)**	**(5,051)**
Distributions to non-controlling interest	**(16,543)**	**(6,923)**
	(325,834)	**113,891**
INVESTMENTS:		
Expenditures on:		
Resort operations assets	**(69,342)**	**(64,546)**
Other assets	**(23,321)**	**(15,257)**
Investment in Leisura (note 20)	**(37,260)**	—
Business acquisitions (note 3)	—	**(2,849)**
Proceeds from asset disposals	**15,876**	**39,783**
	(114,047)	**(42,869)**
Increase (decrease) in cash and cash equivalents	**(17,016)**	**50,143**
Cash and cash equivalents, beginning of year	**126,832**	**76,689**
Cash and cash equivalents, end of year	**$ 109,816**	**$ 126,832**

Cash flow information (note 21)
See accompanying notes to consolidated financial statements.

(Tabular amounts in thousands of United States dollars, unless otherwise indicated)

1 OPERATIONS:

Intrawest Corporation was formed under the Company Act (British Columbia) and was continued under the Canada Business Corporations Act. Through its subsidiaries, the Company is engaged in the development and operation of mountain and golf resorts principally throughout North America.

2 SIGNIFICANT ACCOUNTING POLICIES:

(a) BASIS OF PRESENTATION:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada as prescribed by The Canadian Institute of Chartered Accountants ("CICA"). Information regarding United States generally accepted accounting principles as it affects the Company's consolidated financial statements is presented in note 22.

(b) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include:

(i) the accounts of the Company and its subsidiaries; and

(ii) the accounts of all incorporated and unincorporated joint ventures, including non-controlled partnerships, to the extent of the Company's interest in their respective assets, liabilities, revenues and expenses.

The Company's principal subsidiaries and joint ventures are as follows:

SUBSIDIARIES	PERCENTAGE INTEREST HELD BY THE COMPANY (%)
Blackcomb Skiing Enterprises Limited Partnership	77
Whistler Mountain Resort Limited Partnership	77
IW Resorts Limited Partnership	100
Mont Tremblant Resorts and Company, Limited Partnership	100
Copper Mountain, Inc.	100
Intrawest California Holdings, Inc.	100
Intrawest Golf Holdings, Inc.	100
Intrawest Retail Group, Inc.	100
Intrawest Sandestin Company, L.L.C.	100
Intrawest/Winter Park Holdings Corporation (note 3)	100
Mountain Creek Resort, Inc.	100
Snowshoe Mountain, Inc.	100
The Stratton Corporation	100

2 SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

JOINT VENTURES AND NON-CONTROLLED PARTNERSHIPS (NOTE 14)	PERCENTAGE INTEREST HELD BY THE COMPANY (%)
Alpine Helicopters Ltd.	45
Blue Mountain Resorts Limited	50
Blue River Land Company, LLC	50
Chateau M.T. Inc.	50
Intrawest/Brush Creek Development Company LLC	50
Intrawest/Lodestar Golf Limited Partnership	73.7
Keystone/Intrawest, L.L.C.	50
Mammoth Mountain Ski Area	59.5
Maui Beach Resort Limited Partnership	40
Orlando Village Development Limited Partnership	40

All significant intercompany balances and transactions have been eliminated.

(c) ACCOUNTING FOR INVESTMENTS:

The Company accounts for investments in which it is able to exercise significant influence in accordance with the equity method. Under the equity method, the original cost of the shares is adjusted for the Company's share of post-acquisition earnings or losses, less dividends.

(d) USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The significant areas requiring management estimates include the estimates of future net cash flows from properties, useful lives for depreciation, the timing of revenue recognition, and the value of future income tax assets and liabilities.

(e) CASH EQUIVALENTS:

The Company considers all highly liquid investments with terms to maturity of three months or less when acquired to be cash equivalents.

(f) PROPERTIES:

(i) Properties under development and held for sale:

Properties under development and held for sale are recorded at the lower of cost and net realizable value. Cost includes all expenditures incurred in connection with the acquisition, development and construction of these properties. These expenditures consist of all direct costs, interest on specific debt, interest on that portion of total costs financed by the Company's pooled debt, and an allocation of indirect overhead. Incidental operations related specifically to properties under development are treated as an increase in or a reduction of costs.

Costs associated with the development of sales locations of the vacation ownership business, including operating and general and administrative costs incurred until a location is fully operational, are capitalized. The results of incidental operations related specifically to a location are treated as an increase in or a reduction of costs during the start-up period. These net costs are amortized on a straight-line basis over seven years.

The Company defers costs directly relating to the acquisition of new properties and resorts which, in management's judgment, have a high probability of closing. If the acquisition is abandoned, any deferred costs are expensed immediately.

The Company provides for write-downs where the carrying value of a particular property exceeds its net realizable value.

(ii) Classification:

Properties that are currently under development for sale and properties available for sale are classified as current assets. Related bank and other indebtedness is classified as a current liability.

(g) RESORT OPERATIONS:

The resort operations assets are stated at cost less accumulated depreciation. Costs of ski lifts, area improvements and buildings are capitalized. Certain buildings, area improvements and equipment are located on leased or licensed land. Depreciation is provided over the estimated useful lives of each asset category using the declining balance method at annual rates as follows:

	(%)
Buildings	3.3 to 5.0
Ski lifts	5.0 to 8.0
Golf courses	2.0 to 3.3
Area improvements	2.0 to 3.3
Automotive, helicopters and other equipment	10.0 to 50.0
Leased vehicles	20.0 to 25.0

Inventories are recorded at the lower of cost and net realizable value, and consist primarily of retail goods, food and beverage products, and mountain operating supplies.

(h) ADMINISTRATIVE FURNITURE, COMPUTER EQUIPMENT, SOFTWARE AND LEASEHOLD IMPROVEMENTS:

Administrative furniture, computer equipment and software are stated at cost less accumulated depreciation. Included in software costs are any direct costs incurred developing internal-use software. Depreciation of administrative furniture is provided using the declining balance method at annual rates of between 20% and 30%. Depreciation of computer equipment and software is provided using the straight-line method at annual rates of between 10% and 33.3%.

Leasehold improvements are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the lease term.

(i) DEFERRED FINANCING COSTS:

Deferred financing costs consist of legal and other fees directly related to the debt financing of the Company's resort operations. These costs are amortized to interest expense over the term of the related financing.

(j) GOODWILL AND INTANGIBLE ASSETS:

Goodwill represents the excess of purchase price over the fair value of identifiable assets acquired in a purchase business combination. Intangible assets with indefinite useful lives represent costs that have been allocated to brand names and trademarks. The Company does not amortize goodwill and intangible assets with indefinite useful lives, but they are subject to impairment tests on at least an annual basis and additionally, whenever events and changes in circumstances suggest that the carrying amount may not be recoverable.

Intangible assets with finite useful lives are costs that have been allocated to contracts and customer lists and are amortized on a straight-line basis over their estimated useful lives.

(k) DEFERRED REVENUE AND DEPOSITS:

Deferred revenue mainly comprises real estate deposits, season pass revenue, commission revenue, club initiation deposits and government grants. Deferred revenue which relates to the sale of season passes is recognized throughout the season based on the number of skier visits. Deferred revenue which relates to club initiation deposits is recognized on a straight-line basis over the estimated membership terms. Deferred revenue which relates to government grants for resort operations assets is recognized on the same basis as the related assets are amortized. Deferred revenue which relates to government grants for properties under development is recognized as the properties are sold.

(l) GOVERNMENT ASSISTANCE:

The Company periodically applies for financial assistance under available government incentive programs. Non-repayable government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

(m) REVENUE RECOGNITION:

(i) Resort operations revenue is recognized as the service is provided.

(ii) Revenue from the sale of properties is recorded generally when title to the completed unit is conveyed to the purchaser, the purchaser becomes entitled to occupancy and the purchaser has made a payment that is appropriate in the circumstances.

(iii) Points revenue associated with membership in the vacation ownership business of Club Intrawest (which revenue is included in real estate sales) is recognized when the purchaser has paid the amount due on closing, all contract documentation has been executed and all other significant conditions of sale are met.

2 SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

(iv) Management service revenue is recognized as the service is provided. Reservation fee revenue is recorded at the net of the amount charged to the customer and the amount paid to the supplier.

(v) Commission revenue from real estate brokerage operations is recognized at the time an offer of sale is closed by the purchaser or all other contractual obligations have been satisfied.

(n) FUTURE INCOME TAXES:

The Company follows the asset and liability method of accounting for income taxes. Under such method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. To the extent that it is not considered to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided.

(o) FOREIGN CURRENCY TRANSLATION:

These consolidated financial statements are presented in U.S. dollars. The majority of the Company's operations are located in the United States and are conducted in U.S. dollars. The Company's Canadian operations use the Canadian dollar as their functional currency. The Canadian entities' financial statements have been translated into U.S. dollars using the exchange rate in effect at the balance sheet date for asset and liability amounts and at the average rate for the period for amounts included in the determination of income.

Cumulative unrealized gains or losses arising from the translation of the assets and liabilities of these operations into U.S. dollars are recorded as foreign currency translation adjustment, a separate component of shareholders' equity.

Exchange gains or losses arising on the translation of long-term monetary items that are denominated in foreign currencies to the applicable currency of measurement are included in the determination of net income. Long-term obligations denominated in foreign currencies are designated as hedges of investments in self sustaining foreign operations. Accordingly, cumulative unrealized gains or losses arising from the translation of these obligations are recorded as foreign currency translation adjustment.

The exchange rates used for translation purposes were as follows:

CANADIAN DOLLAR TO U.S. DOLLAR EXCHANGE RATES	2004	2003
At June 30	1.3338	1.3475
Average during year	1.3428	1.5112

(p) PER SHARE CALCULATIONS:

Income per common share has been calculated using the weighted average number of common shares outstanding during the year. The dilutive effect of stock options is determined using the treasury stock method.

(q) STOCK OPTIONS AND STOCK-BASED COMPENSATION:

The Company has a stock option plan as described in note 12(b). The fair value of stock options is determined using a fair value pricing model and is charged to income as a compensation expense over the vesting period with an offsetting adjustment to contributed surplus. Any consideration paid on the exercise of options or purchase of shares is credited to capital stock.

(r) EMPLOYEE FUTURE BENEFITS:

The Company accrues its obligations under employee benefit plans and the related costs as the underlying services are provided.

(s) CHANGE IN ACCOUNTING POLICY:

On July 1, 2003, the Company adopted, on a prospective basis without restatement of prior periods, the revised recommendations of Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" of the CICA Accounting Handbook ("CICA 3870"). Compensation expense is recognized, based on the fair value method of accounting, for stock options granted to employees after July 1, 2003. Prior to July 1, 2003, the Company accounted for stock options granted to employees using the intrinsic value-based method and accordingly did not record a compensation expense. In accordance with a previous revision of CICA 3870, pro forma information is provided in note 12(g) related to options granted between July 1, 2001 and June 30, 2003 as if the fair value methodology had been applied.

(t) COMPARATIVE FIGURES:

Certain comparative figures for 2003 have been reclassified to conform with the financial statement presentation adopted in the current year.

3 ACQUISITIONS:

On December 23, 2002, the Company assumed control of the assets and operations of Winter Park Resort, a major resort operation in Colorado. For accounting purposes the assumption of control has been treated as a purchase of the resort. The fair value of the purchase price of the assets acquired was $47,204,000 of which $38,236,000 was assigned to resort operations assets, $7,817,000 was assigned to real estate development properties and $1,151,000 was assigned to amounts receivable. The purchase was financed primarily through the issuance of a capital lease, the assumption of certain liabilities and the payment of $2,849,000 cash.

4 DISCONTINUED OPERATIONS:

For reporting purposes, the results of operations and cash flow from operating activities of the non-resort real estate business have been disclosed separately from those of continuing operations for the periods presented.

The results of discontinued operations are as follows:

	2004	2003
Revenue	$ —	$ 441
Loss from discontinued operations	$ —	$ (578)

5 RESORT OPERATIONS:

	2004		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
SKI ASSETS:			
Land	$ 49,166	$ —	$ 49,166
Buildings	307,000	63,764	243,236
Ski lifts and area improvements	479,664	157,134	322,530
Automotive, helicopters and other equipment	143,429	93,503	49,926
Leased vehicles	4,740	2,584	2,156
	983,999	316,985	667,014
OTHER RESORT ASSETS:			
Land	28,709	—	28,709
Buildings	82,743	10,219	72,524
Golf courses	125,890	25,449	100,441
Area improvements and equipment	102,361	30,100	72,261
	339,703	65,768	273,935
	$1,323,702	$ 382,753	$ 940,949

	2003		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
SKI ASSETS:			
Land	$ 48,863	$ —	$ 48,863
Buildings	304,494	59,124	245,370
Ski lifts and area improvements	443,889	140,260	303,629
Automotive, helicopters and other equipment	134,654	81,001	53,653
Leased vehicles	4,903	2,814	2,089
	936,803	283,199	653,604
OTHER RESORT ASSETS:			
Land	28,860	—	28,860
Buildings	68,178	7,486	60,692
Golf courses	124,919	21,173	103,746
Area improvements and equipment	95,256	23,431	71,825
	317,213	52,090	265,123
	$1,254,016	$ 335,289	$ 918,727

The resort operations have been pledged as security for certain of the Company's bank and other indebtedness (note 9).

6 RESORT PROPERTIES:

SUMMARY OF RESORT PROPERTIES:

Resort properties are classified for balance sheet purposes as follows:

	2004	2003
Current assets	$ 412,343	$ 662,197
Long-term assets	368,309	405,100
	$ 780,652	$ 1,067,297

Cumulative costs capitalized to the carrying value of properties under development and held for sale are as follows:

	2004	2003
Land and land development costs	$ 152,413	$ 195,248
Building development costs	484,571	704,396
Interest	87,042	103,154
Administrative	56,626	64,499
	$ 780,652	$ 1,067,297

During the year ended June 30, 2004, the Company capitalized interest of $48,585,000 (2003 – $55,525,000) (note 16).

Resort properties have been pledged as security for certain of the Company's bank and other indebtedness (note 9).

7 AMOUNTS RECEIVABLE:

	2004	2003
Receivables from sales of real estate	$ 47,869	$ 54,576
Resort operations trade receivables	31,483	34,427
Loans, mortgages and notes receivable	85,777	89,189
Funded senior employee share purchase plans (note 12(e))	4,019	4,445
Other accounts receivable	26,237	20,930
	195,385	203,567
Current portion	142,427	126,725
	$ 52,958	$ 76,842

Amounts receivable from sales of real estate primarily comprise sales proceeds held in trust which are generally paid out to the Company or to construction lenders within 60 days.

Total payments due on amounts receivable are approximately as follows:

YEAR ENDING JUNE 30,	
2005	$ 142,427
2006	15,968
2007	2,773
2008	2,512
2009	6,988
Subsequent to 2009	24,717
	$ 195,385

The loans, mortgages and notes receivable bear interest at both fixed and floating rates which averaged 11.59% per annum as at June 30, 2004 (2003 – 10.71%). Certain of these amounts have been pledged as security for the Company's bank and other indebtedness (note 9).

8 OTHER ASSETS:

(a) CURRENT:

	2004	2003
Resort operations inventories	$ 35,014	$ 34,640
Restricted cash deposits	25,626	57,087
Prepaid expenses and other	33,465	31,883
	$ 94,105	$ 123,610

(b) LONG-TERM:

	2004	2003
Deferred financing and other costs	$ 22,800	$ 20,053
Administrative furniture, computer equipment, software and leasehold improvements, net of accumulated depreciation of $26,168,000 (2003 – $19,644,000)	27,381	23,856
Other	15,125	8,904
Investment in Compagnie des Alpes	—	12,257
	$ 65,306	$ 65,070

In July 2003 the Company sold its investment in Compagnie des Alpes for proceeds which approximated its carrying value.

During the year ended June 30, 2003, the Company decided to standardize certain information technology systems across its resorts in order to improve efficiencies and eliminate costs. In addition, the Company reorganized its central reservations business and assessed the value of the assets of that business. As a result, the Company wrote down the value of information technology assets by $12,270,000.

9 BANK AND OTHER INDEBTEDNESS:

The Company has obtained financing for its resort operations and properties from various financial institutions by pledging individual assets as security for such financing. Security for general corporate debt is provided by general security which includes a floating charge on all of the Company's assets and undertakings, fixed charges on real estate properties, and assignment of mortgages and notes receivable. The following table summarizes the primary security provided by the Company, where appropriate, and indicates the applicable type of financing, maturity dates and the weighted average interest rate at June 30, 2004:

	MATURITY DATES	WEIGHTED AVERAGE INTEREST RATE(%)	2004	2003
RESORT OPERATIONS:				
Mortgages and bank loans	Demand – 2017	3.38	$ 46,663	$ 62,432
Obligations under capital leases	2005 – 2052	9.20	35,220	45,070
			81,883	107,502
RESORT PROPERTIES:				
Interim financing on properties under development and held for sale	2005 – 2017	4.90	60,316	264,032
Resort club notes receivable credit facilities	2006	4.75	3,861	28,121
			64,177	292,153
General corporate debt	2005 – 2006	4.22	63,919	240,243
Unsecured debentures	2005 – 2013	9.10	748,838	621,021
		8.22	958,817	1,260,919
Current portion			109,685	287,176
			$ 849,132	$ 973,743

Principal repayments and the components related to either floating or fixed interest rate indebtedness are as follows:

	INTEREST RATES		TOTAL
YEAR ENDING JUNE 30,	FLOATING	FIXED	REPAYMENTS
2005	$ 94,368	$ 15,317	$ 109,685
2006	25,198	22,682	47,880
2007	8,754	12,185	20,939
2008	4,010	4,045	8,055
2009	—	2,263	2,263
Subsequent to 2009	—	769,995	769,995
	$ 132,330	$ 826,487	$ 958,817

9 BANK AND OTHER INDEBTEDNESS: (CONTINUED)

The Company has entered into a swap agreement to fix the interest rate on a portion of its floating rate debt. The Company had $9,200,000 (2003 – $14,126,000) of bank loans swapped against debt with a fixed interest rate ranging from 4.70% to 5.58% (2003 – 4.70% to 5.58%) per annum.

Bank and other indebtedness includes indebtedness in the amount of $104,899,000 (2003 – $306,458,000) which is repayable in Canadian dollars of $139,914,000 (2003 – $412,952,000).

The Company is subject to certain covenants in respect of some of the bank and other indebtedness which require the Company to maintain certain financial ratios. The Company is in compliance with these covenants at June 30, 2004.

10 DEFERRED REVENUE AND DEPOSITS:

	2004	2003
Deposits on real estate sales	$ 52,889	$ 107,427
Deferred gain on land sales to Leisura (note 20)	31,702	—
Club initiation deposits	24,742	24,845
Season pass revenue	17,007	14,989
Commission revenue on real estate sales	13,766	1,648
Government assistance (note 11)	11,662	10,992
Other deferred amounts	18,092	18,586
	169,860	178,487
Current portion	87,649	134,878
	$ 82,211	$ 43,609

11 GOVERNMENT ASSISTANCE:

The federal government of Canada and the Province of Quebec have granted financial assistance to the Company in the form of interest-free loans and forgivable grants for the construction of specified four-season tourist facilities at Mont Tremblant. Loans totaling $9,072,000 (2003 – $10,464,000) have been advanced and are repayable over 14 years starting in 2001. The grants, which will total $43,434,000 (2003 – $43,052,000) when they are fully advanced, amounted to $33,732,000 at June 30, 2004 (2003 – $31,400,000). During the year ended June 30, 2004, grants received of $2,009,000 (2003 – $3,812,000) were credited as follows: $1,318,000 (2003 – $1,138,000) to resort operations assets, $133,000 (2003 – $573,000) to resort properties and $558,000 (2003 – $2,101,000) to deferred government assistance.

The federal government of Canada and the Province of Ontario have granted financial assistance to the Company in the form of grants for the construction of infrastructure at Blue Mountain. The grants, amounting to $1,919,000 for the year ended June 30, 2004, were credited to resort properties.

12 CAPITAL STOCK:

(a) CAPITAL STOCK:

The Company's capital stock comprises the following:

	2004	2003
Common shares	$ 460,534	$ 458,081
Contributed surplus	2,951	2,661
	$ 463,485	$ 460,742

In 2004 contributed surplus was increased by $290,000 representing amortization of the fair value of stock options granted in the year ended June 30, 2004 (note 12(g)).

(i) Common shares:

Authorized: an unlimited number without par value

Issued:

	2004		2003	
	NUMBER OF COMMON SHARES	AMOUNT	NUMBER OF COMMON SHARES	AMOUNT
Balance, beginning of year	47,560,062	$ 458,081	47,255,062	$ 453,299
Issued for cash under stock option plan	44,500	461	305,000	2,685
Amortization of benefit plan, net (f)	—	1,992	—	2,097
Balance, end of year	47,604,562	460,534	47,560,062	$ 458,081

(ii) NRP shares:

Authorized: 50,000,000 without par value

Issued:

	2003	
	NUMBER OF NRP SHARES	AMOUNT
Balance, beginning of year	5,163,436	$ 13,600
Redemption	(5,163,436)	(6,697)
Transferred to contributed surplus	—	(2,661)
Foreign currency adjustment	—	(4,242)
Balance, end of year	—	$ —

On December 18, 2002, the Company redeemed all of its outstanding non-resort preferred ("NRP") shares at a price of Cdn.$2.02 per share for a total of $6,697,000. As a result, the carrying value of the NRP shares was reduced to zero and contributed surplus was increased by $2,661,000 representing the difference between the redemption price and the assigned value of the NRP shares less the foreign currency translation adjustment related to the NRP shares.

(iii) Preferred shares:

Authorized: an unlimited number without par value

Issued: nil

(b) STOCK OPTIONS:

The Company has a stock option plan which provides for grants to officers and employees of the Company and its subsidiaries of options to purchase common shares of the Company. Options granted under the stock option plan are exercisable in Canadian dollars and may not be exercised except in accordance with such limitations as the Human Resources Committee of the Board of Directors of the Company may determine.

The following table summarizes the status of options outstanding under the Plan:

	2004		2003	
	SHARE OPTIONS OUTSTANDING	WEIGHTED AVERAGE PRICE	SHARE OPTIONS OUTSTANDING	WEIGHTED AVERAGE PRICE
Outstanding, beginning of year	3,803,900	$ 18.68	3,697,900	$ 16.04
Granted	364,000	13.92	445,000	15.89
Exercised	(44,500)	10.28	(305,000)	9.41
Forfeited	(261,750)	18.85	(34,000)	18.03
Outstanding, end of year	3,861,650	$ 18.51	3,803,900	$ 18.68
Exercisable, end of year	2,289,937	$ 18.78	1,867,310	$ 18.20

The following table provides details of options outstanding at June 30, 2004:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING JUNE 30, 2004	WEIGHTED AVERAGE LIFE REMAINING (YEARS)	WEIGHTED AVERAGE PRICE	NUMBER EXERCISABLE JUNE 30, 2004	WEIGHTED AVERAGE PRICE
$10.34 – $10.85	94,600	1.1	$ 10.57	94,600	$ 10.57
$11.79 – $17.24	584,500	6.9	14.44	213,500	15.14
$17.84 – $21.78	3,182,550	5.8	19.49	1,981,837	19.57
	3,861,650	5.9	$ 18.51	2,289,937	$ 18.78

(c) EMPLOYEE SHARE PURCHASE PLAN:

The employee share purchase plan permits certain full-time employees of the Company and its subsidiaries and limited partnerships to purchase common shares through payroll deductions. The Company contributes $1 for every $3 contributed by an employee. To June 30, 2004, a total of 65,809 (2003 – 65,809) common shares have been issued from treasury under this plan. A further 100,000 common shares have been authorized and reserved for issuance under this plan.

12 CAPITAL STOCK: (CONTINUED)

(d) DEFERRED SHARE UNIT PLAN:

The Company has a key executive Deferred Share Unit Plan (the "DSU Plan") that allows each executive officer to elect to receive all or any portion of his annual incentive award as deferred share units. A DSU is equal in value to one common share of the Company. The units are determined by dividing the dollar amount elected by the average closing price of the common shares on the Toronto Stock Exchange for the five trading days preceding the date that the annual incentive award becomes payable. The units also accrue dividend equivalents payable in additional units in an amount equal to dividends paid on Intrawest common shares. DSUs mature upon termination of employment, whereupon an executive is entitled to receive the fair market value of the equivalent number of common shares, net of withholdings, in cash.

The Company records the cost of the DSU Plan as compensation expense. As at June 30, 2004, 91,278 units were outstanding at a value of $1,461,000 (2003 – 74,381 units at a value of $981,000).

(e) FUNDED SENIOR EMPLOYEE SHARE PURCHASE PLANS:

The Company has two funded senior employee share purchase plans which provide for loans to be made to designated eligible employees to be used for the purchase of common shares. At June 30, 2004, loans to employees under the funded senior employee share purchase plans amounted to $4,019,000 with respect to 225,710 common shares (2003 – $4,445,000 with respect to 247,239 common shares). The loans, which are included in amounts receivable, are non-interest bearing, secured by a promissory note and a pledge of the shares ($3,611,360 market value at June 30, 2004) and mature by 2012. A further 96,400 common shares have been authorized and reserved for issuance under one of the plans.

(f) KEY EXECUTIVE EMPLOYEE BENEFIT PLAN:

The Company has a key executive employee benefit plan which permits the Company to grant awards of common shares purchased in the open market to executive officers. To June 30, 2004, a total of 292,182 (2003 – 292,182) common shares were purchased under this plan. The common shares vest to the employees in part over time and the balance on the attainment of certain future earnings and debt levels. The value of the shares amortized to income during the year ended June 30, 2004 was $1,992,000 (2003 - $2,097,000). None of the shares were vested as at June 30, 2004.

(g) STOCK COMPENSATION:

Effective July 1, 2003, the Company adopted, on a prospective basis, the fair value measurement of stock-based compensation. Under the fair value method, compensation cost for options is measured at fair value at the date of grant and is expensed over the vesting period. The fair value of options issued in the year ended June 30, 2004 amounted to $1,911,000 and is being amortized as an expense over the vesting period of five years. The 2004 expense was $290,000.

Had compensation expense for stock options granted between July 1, 2001 and June 30, 2003 been determined by a fair value method, the Company's net income for the year ended June 30, 2004 would have been reduced to the pro forma amount indicated below:

	2004	2003
Net income, as reported	$ 59,949	$ 34,176
Estimated fair value of option grants	(2,383)	(1,909)
Net income, pro forma	$ 57,566	$ 32,267
PRO FORMA INCOME PER COMMON SHARE FROM CONTINUING OPERATIONS:		
Basic	$ 1.21	$ 0.69
Diluted	1.20	0.69

The estimated fair value of option grants excludes the effect of those granted before July 1, 2001. The fair value of options granted during the year ended June 30, 2004 was $5.44 per option (2003 – $6.35) on the grant date on a weighted average basis.

Fair value determinations have been calculated using the Black-Scholes model and the following assumptions:

	2004	2003
Dividend yield (%)	0.9	0.9
Risk-free interest rate (%)	3.38	3.11
Expected option life (years)	7	7
Expected volatility (%)	35	36

(h) EARNINGS PER SHARE INFORMATION:

Basic earnings per common share ("EPS") is calculated by dividing net income attributable to common shareholders ("numerator") by the weighted average number of common shares outstanding ("denominator"). Diluted EPS reflects the potential dilution that could occur if outstanding dilutive stock options were exercised and the cash received was used to repurchase common shares at the average market price for the period.

The numerator for basic and diluted EPS was the same for each of the periods presented. The reconciliation of the denominators used is as follows:

	2004	2003
DENOMINATOR:		
Weighted average number of common shares outstanding – basic	47,588	47,364
Effect of dilutive options	64	80
Effect of shares purchased for benefit plan	146	146
Weighted average number of common shares outstanding – diluted	47,798	47,590

Options aggregating 3,802,300 (2003 – 3,675,300) have not been included in the computation of diluted income per common share as they were anti-dilutive.

13 INCOME TAXES:

(a) The provision for income taxes from continuing operations is as follows:

	2004	2003
Current	$ 11,674	$ 10,157
Future	(1,240)	(3,914)
	$ 10,434	$ 6,243

The reconciliation of income taxes calculated at the statutory rate to the actual income tax provision is as follows:

	2004	2003
Statutory rate (%)	36.0	38.0
Income tax charge at statutory rate	$ 29,978	$ 19,683
Non-deductible expenses and amortization	652	326
Large corporations tax	1,564	2,574
Taxes related to non-controlling interest share of earnings	(4,640)	(4,284)
Foreign taxes less than statutory rate	(16,849)	(13,182)
Other	(271)	1,126
Provision for income taxes	$ 10,434	$ 6,243

(b) The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	2004	2003
FUTURE TAX ASSETS:		
Non-capital loss carryforwards	$ 22,297	$ 35,823
Differences in working capital deductions for tax and accounting purposes	10,175	5,465
Other	1,386	3,861
Total gross future tax assets	33,858	45,149
Valuation allowance	(19,593)	(17,559)
Net future tax assets	14,265	27,590
FUTURE TAX LIABILITIES:		
Differences in net book value and undepreciated capital cost of resort assets and resort properties	66,272	81,824
Differences in book value and tax basis of bank and other indebtedness	16,816	28,844
Other	—	1,289
Total gross future tax liabilities	83,088	111,957
Net future tax liabilities	$ 68,823	$ 84,367

Net future tax liabilities are classified for balance sheet purposes as follows:

	2004	2003
CURRENT ASSETS:		
Future income taxes	$ 18,638	$ 10,619
LONG-TERM LIABILITIES:		
Future income taxes	87,461	94,986
	$ 68,823	$ 84,367

(c) At June 30, 2004, the Company has non-capital loss carryforwards for income tax purposes of approximately $97,300,000 (2003 – $117,200,000) that are available to offset future taxable income. As at June 30, 2004, approximately $49,800,000 will expire in varying amounts over the next five years and $47,500,000 will expire in varying amounts over the next six to 20 years.

14 JOINT VENTURES:

The following amounts represent the Company's proportionate interest in joint ventures and non-controlled partnerships (note 2(b)):

	2004	2003
Resort properties, current	$ 21,773	$ 53,993
Other current assets	19,571	20,888
	41,344	74,881
Current liabilities	(49,093)	(59,629)
Working capital (deficiency)	(7,749)	15,252
Resort operations	166,146	161,609
Resort properties, non-current	95,208	79,032
Bank and other indebtedness, non-current	(29,718)	(32,213)
Other, net	(8,485)	(14,856)
	$ 215,402	$ 208,824

	2004	2003
Revenue	$ 136,652	$ 128,286
Expenses	129,264	122,272
Income from continuing operations before income taxes	7,388	6,014
Results of discontinued operations	—	419
	$ 7,388	$ 6,433

	2004	2003
CASH PROVIDED BY (USED IN):		
Operations	$ 6,794	$ (5,309)
Financing	(1,809)	30,544
Investments	(5,746)	(25,003)
Increase (decrease) in cash and cash equivalents	$ (761)	$ 232

15 CONTINGENCIES AND COMMITMENTS:

(a) The Company holds licenses and land leases with respect to certain of its resort operations. These leases expire at various times between 2032 and 2051 and provide for annual payments generally in the range of 2% of defined gross revenues.

(b) The Company has estimated costs to complete resort operations assets and resort properties currently under construction and held for sale amounting to $108,855,000 at June 30, 2004 (2003 – $379,019,000). These costs are substantially covered by existing financing commitments.

(c) In addition to the leases described in (a) above, the Company has entered into other operating lease commitments, payable as follows:

YEAR ENDING JUNE 30,	
2005	$ 12,728
2006	11,007
2007	9,739
2008	9,172
2009	7,553
Subsequent to 2009	77,590
	$ 127,789

(d) The Company is contingently liable for the obligations of certain joint ventures and partnerships. The assets of these joint ventures and partnerships, which in all cases exceed the obligations, are available to satisfy such obligations.

(e) The Company has issued letters of credit amounting to $80,978,000 (2003 - $52,137,000) as security for its commitments under various servicing agreements and for its potential liability under various legal disputes.

(f) The Company and its subsidiaries are involved in several lawsuits arising from the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, management does not consider the Company's exposure to lawsuits to be material to these consolidated financial statements.

16 INTEREST EXPENSE:

	2004	2003
Total interest incurred	$ 94,628	$ 102,926
Less:		
Interest capitalized to resort operations assets	277	192
Interest capitalized to resort properties, net of capitalized interest included in real estate cost of sales of $25,562,000 (2003 – $14,872,000)	23,023	40,653
	$ 71,328	$ 62,081

Interest was charged to income as follows:

	2004	2003
Real estate costs	$ 25,562	$ 14,872
Interest expense	45,766	47,142
Discontinued operations	—	67
	$ 71,328	$ 62,081

Real estate cost of sales also includes $39,134,000 (2003 – $17,581,000) of interest incurred in prior years. Interest incurred and interest expense include commitment and other financing fees and amortization of deferred financing costs.

17 FINANCIAL INSTRUMENTS:

(a) FAIR VALUE:

The Company has various financial instruments including cash and cash equivalents, amounts receivable, certain amounts payable and accrued liabilities. Due to their short-term maturity or, in the case of amounts receivable, their market comparable interest rates, the instruments' book value approximates their fair value. Debt and interest swap agreements are also financial instruments. The total fair value of the Company's long-term debt, including interest swap agreements, is estimated to be $986,587,000. The fair value of floating rate long-term debt is assumed to approximate its carrying value. The fair value of other long-term debt has been estimated by discounting future cash flows at current rates offered to the Company for debt of similar maturities and credit quality.

(b) INTEREST RATE RISK:

As described in note 9, $132,330,000 of the Company's long-term debt bears interest at floating rates. Fluctuations in these rates will impact the cost of financing incurred in the future.

(c) CREDIT RISK:

The Company's products and services are purchased by a wide range of customers in different regions of North America and elsewhere. Due to the nature of its operations, the Company has no concentrations of credit risk.

18 PENSION PLANS:

The Company has two non-contributory defined benefit pension plans, one registered and the other non-registered, covering certain of its senior executives. At June 30, 2004, the estimated market value of the plans' assets was $5,227,000 (2003 – $3,252,000) and the estimated present value of the unfunded benefit obligation was $12,754,000 (2003 – $12,352,000). A substantial portion of the unfunded benefit obligation has been secured by a letter of credit. This obligation is being expensed over a period of 12 years.

In addition to the plans mentioned above, one of the Company's subsidiaries has two defined benefit pension plans covering certain employees. At June 30, 2004, the estimated market value of the plans' assets was $3,837,000 (2003 - $5,989,000) and the estimated present value of the unfunded benefit obligation was $2,405,000 (2003 - $2,229,000). The obligation is being expensed over a period of nine years. In the year ended June 30, 2004, benefits totaling $2,692,000 (2003 – $1,105,000) were paid to plan participants.

For the year ended June 30, 2004, the Company expensed pension costs of $3,202,000 (2003 – $1,992,000).

19 SEGMENTED INFORMATION:

The Company has four reportable segments: mountain resort operations, warm-weather resort operations, real estate operations, and corporate and all other. The mountain resort segment includes all of the Company's mountain resorts and associated activities. The warm-weather segment includes Sandestin and all of the Company's stand-alone golf courses. The real estate segment includes all of the Company's real estate activities.

The Company evaluates performance based on profit or loss from operations before interest, depreciation and amortization, and income taxes. Intersegment sales and transfers are accounted for as if the sales or transfers were to third parties.

The Company's reportable segments are strategic business units that offer distinct products and services, and that have their own identifiable marketing strategies. Each of the reportable segments has senior executives responsible for the performance of the segment.

The following table presents the Company's results from continuing operations by reportable segment:

	2004	2003
SEGMENT REVENUE:		
Mountain resort	$ 553,978	$ 506,482
Warm-weather resort	72,879	66,356
Real estate	918,730	527,944
Corporate and all other	6,117	2,417
	$1,551,704	$1,103,199

	2004	2003
SEGMENT OPERATING PROFIT:		
Mountain resort	$ 109,514	$ 108,279
Warm-weather resort	5,918	8,387
Real estate	108,558	75,005
Corporate and all other	6,117	2,417
	230,107	194,088
Less:		
Interest	45,766	47,142
Depreciation and amortization	68,626	67,516
Corporate general and administrative expenses	20,369	14,889
Call premium and unamortized costs of senior notes redeemed	12,074	—
Write-down of technology assets	—	12,270
	146,835	141,817
Income before income taxes, non-controlling interest and discontinued operations	$ 83,272	$ 52,271

	2004	2003
SEGMENT ASSETS:		
Mountain resort	$ 939,771	$ 978,719
Warm-weather resort	181,560	145,361
Real estate	1,026,676	1,311,079
Corporate and all other	107,743	80,563
	$2,255,750	$2,515,722

	2004	2003
SEGMENT CAPITAL EXPENDITURES:		
Mountain resort	$ 63,529	$ 59,674
Warm-weather resort	5,813	4,872
Corporate and all other	12,111	5,025
	$ 81,453	$ 69,571

GEOGRAPHIC INFORMATION:

	2004	2003
REVENUE:		
Canada	$ 597,169	$ 481,449
United States	954,535	621,750
	$1,551,704	$1,103,199

	2004	2003
OPERATING PROFIT:		
Canada	$ 115,193	$ 155,801
United States	114,914	38,287
	$ 230,107	$ 194,088

	2004	2003
IDENTIFIABLE ASSETS:		
Canada	$ 876,684	$ 886,978
United States	1,379,066	1,628,744
	$2,255,750	$2,515,722

20 RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2004, the Company sold 14 real estate projects to partnerships in which it exercises significant influence (collectively, the "Leisura Partnerships"). Total proceeds on the sales amounted to $171,500,000 and consisted of cash, the assumption of certain project-related working capital accounts, and notes receivable. Profit on the sale of the projects is deferred and recognized as revenue on the sale of the projects is realized by the Leisura Partnerships.

At June 30, 2004, deferred revenue includes $31,702,000 relating to the sale of projects to the Leisura Partnerships and amounts receivable includes $13,582,000 due from the Leisura Partnerships. Interest income related to the notes receivable and working capital loans of $1,006,000 has been included in interest and other income for the year ended June 30, 2004.

Development and sales management fees earned during the year ended June 30, 2004 totaled $13,212,000 and have been included in management services revenues.

INVESTMENT IN AND ADVANCES TO LEISURA AT JUNE 30, 2004:

Equity contributions	$ 33,450
Leisura formation costs	3,810
Notes receivable	11,956
Equity income, net of amortization of formation costs	1,683
	$ 50,899

21 CASH FLOW INFORMATION:

The changes in non-cash operating working capital balance consist of the following:

	2004	2003
CASH PROVIDED BY (USED IN):		
Amounts receivable	$ (1,071)	$ (14,529)
Other assets	31,164	(17,557)
Amounts payable	(14,795)	16,291
Deferred revenue and deposits	(39,227)	45,064
	$ (23,929)	$ 29,269
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 98,430	$ 99,867
Income, franchise and withholding taxes paid	6,011	11,067
NON-CASH INVESTING ACTIVITIES:		
Notes received on sale of properties to Leisura	11,956	—
Notes received on real estate sales	33,143	4,679
Notes received on asset disposals	—	2,226
Bank and other indebtedness incurred on acquisition	—	35,172

22 DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States and the rules and regulations promulgated by the Securities and Exchange Commission ("SEC") except as summarized below:

	2004	2003
Income from continuing operations in accordance with Canadian GAAP	$ 59,949	$ 34,754
EFFECTS OF DIFFERENCES IN ACCOUNTING FOR:		
Depreciation and amortization pursuant to SFAS 109 (c)	(674)	(690)
Real estate revenue recognition (g)	17,351	(8,931)
Start-up costs (h)	677	3,101
Tax effect of differences	(5,914)	2,478
Results of discontinued operations	—	(578)
Income before cumulative effect of change in accounting principle	71,389	30,134
Adjustment to reflect change in accounting for goodwill, net of tax (i)	—	(6,150)
Net income in accordance with United States GAAP	71,389	23,984
Opening retained earnings in accordance with United States GAAP	294,034	275,101
Common share dividends	(5,706)	(5,051)
Closing retained earnings in accordance with United States GAAP	$ 359,717	$ 294,034
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING POLICY PER COMMON SHARE (IN DOLLARS):		
Basic	$ 1.50	$ 0.64
Diluted	1.49	0.63
INCOME PER COMMON SHARE (IN DOLLARS):		
Basic	1.50	0.51
Diluted	1.49	0.50
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (IN THOUSANDS):		
Basic	47,588	47,364
Diluted	47,798	47,590

	2004	2003
COMPREHENSIVE INCOME:		
Net income in accordance with United States GAAP	$ 71,389	$ 23,984
Other comprehensive income (f)	19,446	17,808
	$ 90,835	$ 41,792
Total assets in accordance with Canadian GAAP	$2,255,750	$2,515,722
EFFECTS OF DIFFERENCES IN ACCOUNTING FOR:		
Shareholder loans (b)	(4,019)	(4,445)
Resort assets (c)	1,281	1,948
Goodwill (c)	37,727	37,471
Resort properties (c)	640	640
Sale-leaseback (g)	13,292	14,080
Start-up costs (h)	(1,873)	(2,551)
Future income taxes on differences	4,519	4,222
Total assets in accordance with United States GAAP	$2,307,317	$2,567,087

	2004	2003
Total liabilities in accordance with Canadian GAAP	$1,468,441	$1,804,583
EFFECTS OF DIFFERENCES IN ACCOUNTING FOR:		
Revenue recognition (g)	5,960	24,096
Future income taxes on differences	6,211	—
Total liabilities in accordance with United States GAAP	$1,480,612	$1,828,679

	2004	2003
Capital stock in accordance with Canadian GAAP	$ 463,485	$ 460,742
EFFECTS OF DIFFERENCES IN ACCOUNTING FOR:		
Extinguishment of options and warrants (a)	1,563	1,563
Shareholder loans (b)	(4,019)	(4,445)
Capital stock in accordance with United States GAAP	461,029	457,860
Closing retained earnings in accordance with United States GAAP	359,717	294,034
Accumulated other comprehensive income (f)	5,959	(13,486)
Shareholders' equity in accordance with United States GAAP	$ 826,705	$ 738,408

22 DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES: (CONTINUED)

(a) EXTINGUISHMENT OF OPTIONS AND WARRANTS:

Payments made in prior years to extinguish options and warrants could be treated as capital items under Canadian GAAP. These payments would have been treated as income items under United States GAAP. As a result, the cumulative impact of payments made to extinguish options in prior years impact the current year's capital stock and retained earnings. No such payments were made during the years ended June 30, 2004 and 2003.

(b) SHAREHOLDER LOANS:

For Canadian GAAP purposes, the Company accounts for loans provided to senior employees for the purchase of shares as amounts receivable. Under United States GAAP, these loans, totaling $4,019,000 and $4,445,000 as at June 30, 2004 and 2003, respectively, would be deducted from shareholders' equity.

(c) INCOME TAXES:

As described in note 2(n), the Company follows the asset and liability method of accounting for income taxes. This policy was adopted for Canadian GAAP purposes on a retroactive without restatement basis effective July 1, 1999. Prior to July 1, 1999, the Company had adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), for the financial statement amounts presented under United States GAAP. SFAS 109 requires that future tax liabilities or assets be recognized for the difference between assigned values and tax bases of assets and liabilities acquired pursuant to a business combination except for non tax-deductible goodwill and unallocated negative goodwill, effective from the Company's year ended September 30, 1994. The effect of adopting SFAS 109 increases the carrying values of certain balance sheet amounts at June 30, 2004 and 2003 as follows:

	2004	2003
Resort operations assets	$ 1,281	$ 1,948
Goodwill	37,727	37,471
Resort properties	640	640

(d) JOINT VENTURES:

In accordance with Canadian GAAP, joint ventures are required to be proportionately consolidated regardless of the legal form of the entity. Under United States GAAP, incorporated joint ventures are required to be accounted for by the equity method. However, in accordance with the rules and regulations of the SEC, the Company has elected not to reconcile for joint ventures which are accounted for by the proportionate consolidation method under Canadian GAAP (note 14).

(e) STOCK COMPENSATION:

As described in note 2(q), effective July 1, 2003, for Canadian GAAP purposes the Company adopted, on a prospective basis, the fair-value based measurement of stock-based compensation. Under the fair value method, compensation cost for options is measured at fair value at the date of grant and is expensed over the vesting period. In addition, in note 12(g) the Company provides pro forma disclosure as if a fair value method had been applied for grants made between July 1, 2001 and June 30, 2003.

For United States GAAP purposes, the Company has also adopted the fair-value based measurement of stock-based compensation prospectively effective July 1, 2003. Pro forma disclosures under United States GAAP would consider the fair value of all grants made subsequent to December 15, 1995. Using the fair value method, the Company's net income under United States GAAP would have been reduced to the pro forma amounts indicated below:

	2004	2003
NET INCOME IN ACCORDANCE WITH UNITED STATES GAAP:		
As reported	$ 71,389	$ 23,984
Estimated fair value of option grants	(5,154)	(5,228)
Pro forma	$ 66,235	$ 18,756
PRO FORMA INCOME PER COMMON SHARE:		
Basic	$ 1.39	$ 0.40
Diluted	1.39	0.39

Fair value determinations have been calculated using the Black-Scholes option pricing model and the following assumptions:

	2004	2003
Dividend yield (%)	0.9	0.9
Risk-free interest rate (%)	3.38	3.11
Expected option life (years)	7	7
Expected volatility (%)	35	36

(f) OTHER COMPREHENSIVE INCOME:

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), requires that a company classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and capital stock in the equity section of the balance sheet.

The foreign currency translation adjustment in the amount of $4,941,000 (2003 – $14,243,000) presented in shareholders' equity under Canadian GAAP would be considered in the calculation of accumulated other comprehensive income under United States GAAP together with other changes attributable to United States GAAP reconciling items disclosed herein. The change in the accumulated other comprehensive income balance of $19,446,000 would be other comprehensive income for the year (2003 – income of $17,808,000).

(g) REAL ESTATE REVENUE RECOGNITION:

For Canadian GAAP purposes, the Company recognizes profit arising on the sale of a property, a portion of which is leased back by the Company, to the extent the gain exceeds the net present value of the minimum lease payments. The deferred gain is recognized over the lease term. Under United States GAAP, where the Company has continued involvement in the property, the sale-leaseback transaction is precluded from sale-leaseback accounting. As a result, the profit on the transaction is not recognized but rather the sales proceeds are treated as a liability and the property continues to be shown as an asset of the Company until the conditions for sales recognition are met. In addition, under United States GAAP (a) revenue from certain property sales is deferred due to specified aspects of the Company's continuing involvement being deemed to exist and (b) adjustments are made to the timing of revenue recognized on sales to equity-accounted-for investments.

22 DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES: (CONTINUED)

(h) START-UP COSTS:

As described in note 2(f), the Company capitalizes for Canadian GAAP purposes certain costs incurred in the start-up period of specific operations. For United States GAAP purposes, such costs would be expensed as incurred.

(i) GOODWILL AND INTANGIBLE ASSETS:

For Canadian GAAP purposes, during the year ended June 30, 2003, the Company restated opening retained earnings to recognize the cumulative impact of impairment losses arising from the adoption of new accounting standards related to goodwill and intangible assets with indefinite lives. For United States GAAP purposes, the Company concurrently adopted effective July 1, 2002 the provisions of SFAS 142, "Goodwill and Other Intangible Assets," which are similar to Canadian GAAP except that under this standard the cumulative effect of the calculated impairment losses are recognized as a cumulative effect of a change in accounting policy and charged to net income in the year of adoption.

(j) DERIVATIVES AND HEDGING ACTIVITIES:

For United States GAAP purposes, the Company adopted the provisions of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, effective July 1, 2000. Under this standard, derivative instruments are initially recorded at cost with changes in fair value recognized in income except when the derivative is identified, documented and highly effective as a hedge, in which case the changes in fair value are excluded from income to be recognized at the time of the underlying transaction. The only derivative instrument outstanding at June 30, 2004 and 2003 is the interest rate swap described in note 9. As the fair value of this swap is not materially different than its cost at both dates, no reconciliation adjustment is required.

(k) RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS:

In the U.S., SFAS 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), addresses financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. SFAS 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. If the obligation is settled for other than the carrying amount of the liability, the Company will recognize a gain or loss on settlement. For U.S. GAAP purposes, the Company adopted the provisions of SFAS 143 effective July 1, 2002. Certain of the land lease arrangements related to the Company's resort operations require remediation steps be taken on termination of the lease arrangement. As the Company has the intention to operate its resorts indefinitely, it is unable to make a reasonable estimate of the fair values of the ultimate asset retirement obligations.

SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), provides guidance for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale. SFAS 144 also provides guidance on how to present discontinued operations in the income statement and includes as a discontinued operation a component of an entity (rather than a segment of a business). The provisions of SFAS 144 are required to be applied prospectively after the adoption date to newly initiated disposal activities. The Company was required to adopt SFAS 144 effective July 1, 2002. The adoption of SFAS 144 did not materially impact the Company's consolidated financial position or results of operations.

The FASB has issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires additional disclosures as well as the recognition of a liability by a guarantor at the inception of certain guarantees entered into or modified after December 31, 2002. The initial measurement of this liability is the fair value of the guarantee at inception. The requirements of FIN 45 have been considered in the preparation of these consolidated financial statements.

In December 2003 the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46R"). Its provisions are effective for the Company's June 30, 2004 year-end. FIN 46R clarifies the application of other aspects of United States GAAP related to the identification of that entity which is required to consolidate other entities in situations where the majority voting interest may not identify the party with a controlling financial interest because the controlling financial interest may be achieved through arrangements that do not involve voting interests ("a variable interest entity"). FIN 46R generally requires consolidation by that entity which has variable interests that will absorb a majority of the variable interest entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. If there is an entity that holds such majority risks and rights, that entity is defined to be the primary beneficiary of the variable interest entity. The Company has interests in certain entities which meet the definition of a variable interest entity, but in none of these situations is the Company identified as the primary beneficiary. These entities are generally development arrangements where the Company holds a minority equity interest and provides additional related services to the entity. The Company's maximum exposure to losses is limited to its investment in these entities. The Company accounts for its interest in these entities by the equity method. Accordingly, the adoption of FIN46R has not impacted the Company's June 30, 2004 financial position or results of operations under United States GAAP.

23 SUBSEQUENT EVENT:

On July 2, 2004, the Company purchased a 66 ⅔% interest in Abercrombie & Kent Group of Companies, S.A. (A&K), a worldwide luxury adventure-travel company, for a nominal cash amount. The purchase will result in the Company consolidating the accounts of A&K, reflecting its assets and liabilities at fair values at July 2, 2004 and including in its consolidated financial statements the results of its operations from that date.

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ANNUAL MEETING
The Annual Meeting of Shareholders will be held on Monday, November 8, 2004 at 11:00 a.m. in the Mackenzie Room of The Fairmont Waterfront Hotel, 900 Canada Place Way, Vancouver, British Columbia.

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DESIGN: SAMATAMASON WWW.SAMATAMASON.COM PRINTING: QUEBECOR WORLD

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